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**NEOLIBERAL CIVILIZATION**  
**DEFINITION, EVALUATION AND TRENDS**

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∞ *For Emma and the Little One* ∞

### Motto

*“They are not in trouble as other men; neither are they plagued like other men. Therefore pride compasseth them about as a chain; violence covereth them as a garment.” (Psalms 73: 5-6).*

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This master's thesis is about neoliberal civilization – a complex and comprehensive social phenomenon that appears to be able to spread its influence all over the world, and that effectively monopolizes the right to define social relations and transformations in most areas of social life.

This is a theoretical study which includes a definition, an evaluation, and a discussion of neoliberal civilization and its future trends. It provides an interpretation of the financial and debt crisis, and the solutions employed to manage the crisis. It provides an evaluation of the epistemological foundations of this system, on its nature and purposes.

As a conceptualization, neoliberal civilization refers to the discursive practices of neoliberal international political economy (IPE). It refers to a system that is being represented as an ideal, and which forms a set of discursive rules and practices that define most areas of social life and that subject most people to roles defined by it. It is an attempt to dominate social relations and the destiny of the world from a particular perspective of vested interests. Globalization, interdependences, democracy, and economy are concepts set up from the perspective of dominant market actors, and that serve the dominant interest of the global market place. In order to be free individuals, we need to rethink freedom, individualism and political economy with other tools than those of neoliberal civilization.

Major sources of neoliberal theory include Friedrich von Hayek's *Road to Serfdom* (1956 [1944]), *Constitution of Liberty* (2006 [1960]), *Fatal Conceit* (1988), Ludwig von Mises' *Theory and History* (1957), and Milton and Rose Friedman's *Free to Choose* (1979). Other sources for neoliberal IPE include the internet pages of IMF, WTO, World Bank, policy agency groups, and major corporate interest groups.

I have approached the analytical conceptualization of neoliberal civilization from a normative perspective, based on a theocentric cognitive systematization, the Universal System of Love, and an interpretation of Adam Smith's System of Natural Liberty. The first of the two perspectives is based on Emanuel Swedenborg's *Divine Love and Wisdom* (2009a [1763]), the second on Smith's *Theory of Moral Sentiments* (2006 [1759]), and *Wealth of Nations* (2005, [1776]). Both perspectives led to a rejection of neoliberal epistemology, and a reformulation of the concept of freedom. Neoliberal civilization appears to have perverted the ideas of freedom, individualism and markets to a form that is inimical to freedom, not coherent with the natural laws, and that deprives self-interest its materially progressive and morally beneficial features exposed by Adam Smith.

The purposes of this study required only an outline of these two perspectives, to be used for evaluative analysis. I find that the Swedenborgian perspective can be used for transforming the philosophy of science, and the Smithian perspective for uniting the liberal and Marxist traditions, and the movement of another and better world. I ground this claim on the ability to unthink, rethink, systematize and unite that these perspective seem to offer.

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# 1. INTRODUCTION

## 1.1. Research Task

The research task in this master's thesis is to provide an evaluation and analysis of neoliberal civilization. This task is threefold. It consists of defining neoliberal civilization, evaluation of it, and thirdly, discussion on the future trends of it. If civilization is a system, it has defining features, which distinguish it from other systems. A peculiar trait of civilization is that it refers to an ideal system, set above other systems, which, being incorporated into it, or subordinated to it, are defined and guided by it. A world-civilization would be an idealistic general system to which particular systems relate as parts to a whole. Today, neoliberal global economy appears as a general system, and it is represented as idealistic, civilizing and necessary (Gill 1995; Robinson & Harris 2000; Hayek 2006; Fergusson 2011).

In Foucauldian terms, 'neoliberal civilization' implies the dominant discursive practices of the present world system, characterized by the subjection of social relations to the rationales of free markets within the framework of neoliberal political economy. Foucault's 'discursive practice' refers to those ideas and practices that define the relations between people within a given framework. (Shapiro 1981, 129-131; Hall 2007, 56-7). Discursive practices can imply the submission of actors to hegemonic constellations of truth, as suggested by Stephen Gill (1995, 401-2), and like by Laclau and Mouffe put forward in the theory of hegemonic discursive practices (Palonen 2008, 213).

A 'discursive practice' is an analytical conceptualization of social relations. For the purposes of this study, it is helpful in providing a conceptualization of neoliberal international political economy, which is that of neoliberal civilization. Namely, there is no such *system* of international political economy (IPE) that could be explicitly defined as a defining feature of civilization. A neoliberal system of IPE, however, does exist. So does the idea of civilization. Neoliberal civilization denotes the representation of the neoliberal IPE as an integral or necessary part of the latter. The discursive totality of neoliberalism produces and defines social relations within international political economy on the one hand by constructing knowledge, disseminating ideas, legitimizing practices, and constructing agendas in accordance with neoliberal ideas, and on the other hand by excluding those ideas and practices that do not comply with the neoliberal framework of truth. Thus, neoliberal civilization is a representation of *a system* as civilizing, but whether this system really corresponds to the meaning of civilization is a different thing. Because of the connection between power and

knowledge (Shapiro 1981, 130-1; Hall 2007, 57), it is fully possible that the neoliberal civilization is an oxymoron as implied in Gill's (1995, 422) *Globalisation, Market Civilisation, and Disciplinary Neoliberalism*, and as indicated by the relatively abundant research on neoliberalism and globalization (see Boggs 2000; Airaksinen 2003; Chossudovsky 2003).

The descriptive part of this study involves the concepts of civilization and neoliberalism. With regard to civilization, my intention is to expose the contradiction between discursive representation of civilizing politics and the meaning of 'civilization'. Neoliberal system seems to belong to the same category with politics of civilizational representations during, for example, colonialism. The second descriptive part is assigned for the neoliberal system involving the ideas and structures of neoliberal international political economy. The evaluative part involves two perspectives. Swedenborgian perspective is a normative perspective, where norms are presented in the form of a universal system. Smithian perspective consists of both moral and economic conceptualizations. These perspectives are used as a means to look beyond the representation or, perhaps, the prevailing perceptions of neoliberalism and neoliberal knowledge.

## **1.2. Conceptual Framework**

The conceptual framework of this research evolves from two concepts, one involving civilization and discourse, the other involving neoliberalism and international political economy. Compared to neoliberal globalization, culture is an example of a more restricted conceptualization of those things that pertain to civilization. It is a problematic conceptualization, because the cultural aspect does not tackle issues of broader scope, like the appearance of global market economy as a world system – which is global because of global markets (see Gill 1995; Robinson 2005). Cultural systems are parts of this more extensive system, and thus, they are defined in relation to this civilization above them (see Wallerstein 1984, 153, 165).

Whether the system of global economy in-itself is the most general system, or only a part of it, or alternatively, whether there are multiple extended systems, but no general system above them, is not an observable fact beyond any possibility of dispute. For example King (1991, 10) suggested that while capitalism is a global system, its conception as *the* general system neglects cultural factors; this one-sidedness may be a problem in world system(s) studies. In similar manner, studies of cultural systems have suffered from their disregard of the capitalist system. Complementing the capitalist world system analysis with the attributes of civilization can account for Kings concern, and hence, it becomes possible to view the world not only as a technocratic structure run by



economists, capitalists and international corporative lobby groups, like Robinson and Harris suggested (2000), and as research by William Carroll (2010) and Stephens Gill (2011) indicate, but as a system that encompasses all areas of human life.

Liberal democracies adhere to the values of civil rights, free elections, democratic system of governance, and free markets. According to for example Samuel Huntington (2009a), these features define the Western civilization. But whether free markets also define a global system, and whether this global system can and should be defined as a civilization, and what does it mean to define it as civilization – these are more contentious issues, with no clear answers, but with contradictory interpretations by different researches and approaches.

This research dwells within this area of contentions, not by discussing the validity of each contention, but by attempting at fresh interpretation. From the variety of contentions about the nature of human action, and secondly, from the variety of grave problems that humanity faces today, we may draw the conclusion that neither the nature of these problems, nor the nature of the system within which these problems occur, are clearly understood. As long as our common inheritance is not a place of bliss we should aspire to understand the nature of the world and the nature of human action. Namely, as long as these problems persist, as long should the claim be considered true that we do not know what kind of system of human action best serves the humanity. From this point of view, the main normative questions of political theory appear as either unsolved or the their solutions neglected by decision makers. In democracy, the latter option can mean two things. Either do people not care or democracy does not work. Either way, there is plenty of work for social scientists, whose importance should be acknowledged by any democratic government, and whose financial and academic independence should be guaranteed. Free markets prevail in today's world, but so do poverty, climate problems, inequality, unemployment and financial speculation. This renders the voice of markets open to suspicion and the independence of social science even more valuable.

The tradition of inquiring into the nature of human cooperation has long roots. Some of the earlier approaches still retain their appeal for a modern reader in spite the centuries that set us apart from for example Plato's *Republic* (1968 [c. B.C. 380]) and More's *Utopia* (1971 [1516]). Where Plato and More stand as interesting examples of ancient thought with little value for organizing modern political systems, the utopians of today are given a role Plato and More only dreamed of. The proponents of liberty with Friedrich Hayek in front appear as the high priests of politics as their visions for political and economic organization stand alone and are mainly uncontested – the critical

voices of academia and civil society do not seem to matter in shaping the political and economic organization of globalization<sup>1</sup>. The high priests of neoliberal globalization are not spiritual leaders. According to for example Plehwe and Walpen (2006, 33, 39, 40) they are intellectual leaders who work by disseminating and spreading neoliberal knowledge. In this context, Mont Pelerin Society is often mentioned as a key organization (ibid.).

Leslie Sklair (1991, 8; 2002, 46) described the global system as a 'sociological totality' comprised of 'transnational practices. Major actors in this system are the transnational corporations and the transnational capitalist class, united by a culture of consumerism. Sklair's 'transnational practice approach' attempts at a conceptualization which incorporates political, economic, and socio-cultural aspects of a system. In other words, it is an attempt to conceptualize and interpret civilization. However, it has been criticized for its lack of structural analysis (Carroll 2010, 19).

There have been various attempts to conceptualize globalization, to problematize global capitalism, to analyze economic policies of the regulatory organizations of international political economy and to question the intellectual and organizational foundations of social life. Here I may mention for example Immanuel Wallerstein (1991ab), Susan George (1995), Stephen Gill (1995), Hardt and Negri (2000), Leslie Sklair (2002), Jaana Airaksinen (2003), William Robinson (2005), Dieter Plehwe (2006), Boaventura de Sousa Santos (2007), David Harvey (2007), William Carroll (2010), Michel Chossudovsky (2010), Joseph Stiglitz (2010), Heikki Patomäki (2012a). These writers present a variety of ways to conceptualize the world and its problems. My research is another attempt of this kind.

One of the high priests of civilization is Friedrich Hayek. Liberty is the key concept in Hayek's political philosophy. It is of outmost importance for the preservation and growth of not only the Western civilization, but for any civilization. In somewhat similar manner did Francis Fukuyama write in his *The End of History and the Last Man* (1992), and Niall Ferguson in his *Civilization, The West and the Rest* (2011). In his *Constitution of Liberty* (1960) Hayek claimed that without liberty

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<sup>1</sup> According to Robinson and Harris (2000, 42-5; also Carroll & Carson 2006, 54) neoliberalism can be distinguished into conservative, structural and reformist fractions. This facilitates the hegemonic position of neoliberal discourse on politics and globalization. In my interpretation, many alternative civil society movements are working within the neoliberal paradigms without contesting the hegemony of neoliberalism itself. The imposition of financial transaction tax by some European countries is an example of work done from within the hegemony without actually contesting it. In this sense, transaction tax falls into the category of neoliberal reformism. David Harvey (2007, 78, 177) has noted that the rise of neoliberalism as a dominant doctrine of international political economy since the 70s was followed with an activation of civil society and the birth of the political culture of NGO's, which is intertwined with neoliberalism and supportive of the neoliberal system. If we compare the two processes of policy making – neoliberal top-down policies and bottom-up policies of NGO's, we should be able to recognize the success of neoliberal policies and the end of democratic politics (Gill 2011; Boggs 2000; see also Teivainen 2002).

progress ceases. Without liberty, human society will enter into a phase of stagnation, and soon, the road to civilization is transformed into a *Road to Serfdom*, like Hayek wrote in his book with this title in 1944.

According to Hayek and Ferguson, there is no questioning the existence of civilization. It does exist, and it is defined by liberty. Compared to Huntington, we note a difference. For Huntington, the Western civilization is but one of many, and liberty is only a trait of this specific civilization. Huntington's approach is descriptive, whereas Hayek and Ferguson have a normative tone: liberty is the general paradigm of any civilization. It is part of the Western culture more than any other culture, but not confined to it. It is thus part of a culture, but more so, above the culture. For Huntington, culture is the highest level of civilization, and liberty only part of a particular cultural identity. The Muslim and Hindu identities have not been changed by globalization, quite the contrary: the cultural self-identification as Muslims or Hindus has been reinforced by rise of Western capitalism to global dominance. (Huntington 2009a, 110-112, 126.)

These views about civilization are different in both essence and scope. The difference in essence lies therein that Huntington cannot be described as a high priest of the Western civilization. His work seems to be of a more descriptive kind – in contrast to Hayek, whose vision is normative. As for observable qualities of Western civilization, I find no reason to contradict Huntington's analysis, not even from Hayekian perspective. But whether the founding values of Western civilization are the norm for everybody – therein lies the difference in essence.

But there is also a difference of scope. The founding value of liberty is the essence of all civilized forms of human coexistence and of human progress, no matter the particular cultural environment. What is to be noted is that the more developed are those with most freedom. Liberty is the progressive element in all civilizations working either encouraged by culture or in spite of it. (Hayek 2006, 47, 56.)

To consider civilization as a general system of human action, which defines and subordinates other regionally based cultural systems, seems at least as valid as Huntington's approach, perhaps even more so, if you are interested in questions of broader relevance. Hence, there seem to exist reasons for considering the system of international political economy as at least an aspect of that overall system. I am not alone in assuming that.

Some researches, like Stephen Gill (1995, 399), have referred to the global system as a 'market civilization'. The rise of global capitalism implies that a new global civilization has been erected,

where the Western values of liberalism are the defining ones, and where the tools of integration into that system, are those of international political economy, and the logic that of capital accumulation. The new phase of liberalization – neoliberalism, began with the end of Bretton Woods regime in international political economy in 1970s.

Against this background a conclusion concerning the research strategy follows. To be able to conceptualize a global system and its representation as a general human civilization requires focusing on those aspects that bring about the extension of this system. This brings along the process of neoliberal globalization, which has discursive and systemic dimensions. That this entails international political economy, and more specifically, neoliberalism, follows from for example Hayek (2006), Wallerstein (1991ab), Gill (1995), Robinson (2005), Santos (2007), and Ferguson (2011). For the research strategy this means, that I will study neoliberalism with focus on the system of international political economy.

According to Kegley and Wittkopf (2001, 247), international political economy (IPE) is *“the study of the intersection of politics and economics that illuminates the reasons why changes occur in the distribution of states' wealth and power”*. In Thomas Oatley's *International Political Economy* (2008, 2,3) this state-centered approach is confirmed: the central focus of international political economy is *“how the political battle between the winners and losers from global economic exchange shapes the economic policies that governments adopt”*.

In this study, I use a broader definition. States are no longer in control of wealth and power. According to Stephen Gill (1998, 30), the democratic sphere of resource allocation has been replaced by ‘new constitutionalism’, where instead of democratic decision making procedures the interests of international capital are setting the rules of conduct. Definition of international political economy should account for that change. This is best done with recalling what politics is all about.

Broadly defined, politics is about the use of power (for ex. Paloheimo & Wiberg 1997, 51). In Weberian terms, X has power over Y insofar as (i) X is able to get Y to do something, which (ii) is preferred by X, and (iii) which Y otherwise would not do (Puran 2008, 86). In hegemonic power relations there is no need for use of power in this Weberian sense: power is established by the *“active consent of the ruled”* (Brand 2006, 246). To incorporate this political dimension and the change in global politics brought about by globalization, I have forged following definition for this study: International political economy is the study of those political structures, actors, and ideas, which (i) constitute the rules for individual and collective economic activity, which (ii) set out the institutional framework for it, and which (iii) control the available resources for individual and

collective economic activity.

The discursive dimension implies a process of representing an actual system of international political economy as a civilizing system. Thus, I have set the neoliberal system of international political economy within the analytical framework of 'civilizational discourse' (see Adas 2004; Brown 2004). I am interested in evaluating this system that is represented and promoted in such a manner as to legitimize its existence and its expansion. Secondly, the framework of civilizational discourse emphasizes the importance of the system of political economy for other social systems. Political, social and cultural systems are not independent of the system of political economy. The stronger the power structures of a system of political economy are the stronger is the upper hand of this system over other systems. Thus, it is possible to think of the capitalist system of neoliberal cast as a system that defines others systems and in this sense is a general civilization (see for ex. Gill 1995; Wallerstein 1991a; Santos 2007, xix).

This conceptualization of the analytical framework is essentially Foucauldian. Representations, or the 'regime of representation', have been studied especially in the context of colonial powers (Hobson 2004; Mann & Watt 2011). Foucault himself did not address issues of explicitly political knowledge, although he did note that his mode of analysis could be applied on them (Shapiro 1981, 131). According to Christina Rojas (2002, xx), the concept of representation refers to a practice of representing objects of desire in a profitable manner for one's own interests. According to Baudrillard's conceptualization, representations are appearances of reality without a correspondence between the representation and the thing that is being represented. Thus, simulation of representation refers to the creation of semblances of reality. (Chandler 2008, 68.)

This far I have presented the analytical conceptualizations of the neoliberal civilization embedded in two different conceptual frameworks. In addition to the two analytical conceptualizations of civilizational discourse and the system of international political economy<sup>2</sup>, I have the two analytical perspectives for evaluative understanding of the 'neoliberal civilization'. I am trying to make the argument for a theocentric cognitive systematization and to derive a normative perspective from this systematization. This is done in Chapter 2, *Swedenborgian Perspective*. Chapter 3, *The Smithian Perspective*, is based on an interpretation of the ideas of classical liberalism, Adam Smith in particular. From Smithian moral theory and from his political economy, interpreted in the context

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<sup>2</sup> In the *Research Task* I referred to these two parts of this study as descriptive, because they together form the phenomena to be studied in this research. Because of the complex nature of the this phenomena, the presentation and description of it could not have been done without analytical conceptualizations of discursive practices of civilization and international political economy, which together provide a satisfactorily comprehensive picture of what it is we talk about when speaking about 'neoliberal civilization'.

of classical liberalism, I derived what I call the principle of interdependence. In my understanding this is the key to Smith's moral theory and political economy. The principle of interdependence should apply for all social actions where the social relations are not based on mutual love. Swedenborgian perspective is concerned with how things relate to a universal system – a conceptualization of the existence where all things depend on the active existence of a first cause. The relation between this perspective and 'neoliberal civilization' deals primarily with questions of epistemological kind illustrated with this question: how can we define good and beneficial social action?

Chapter 4, *Civilizational Discourse*, deals with civilization and the discursive practices of civilization. This chapter has two main sections, where in the first a definition of civilization is provided, and in where in the second I am portraying two cases of discursive practices of civilization. The Foucauldian claim that discourses are “*domains within which power and authority are conferred on some and denied to others*” is confirmed (Shapiro 1981, 140). The two cases, the other on colonialism, the other on war on terror, not only illustrate what representation as a conceptualization means, but also, what it means in relation to the Smithian principle of interdependence.

Chapter 5, *Neoliberal International Political Economy*, deals with neoliberalism from the ideological and structural perspectives. It is organized along the lines of these questions: In neoliberal system, what are the structures, actors, and ideas, which (i) constitute the rules for individual and collective economic activity, which (ii) set out the social, physical and institutional framework for that activity to take place, and which (iii) control the available resources for individual and collective economic activity. Chapter 6, *Neoliberal Civilization*, brings the evaluative perspectives together with the conceptualization and definition of 'neoliberal civilization'. This research culminates in the definition and evaluative analysis of neoliberal civilization done in chapter 6.

### **1.3. Sources and Interpretation**

This is a theoretical study. The perspectives and conceptualizations are based on theoretical conceptualizations, and hence, most of my sources are theoretical. In chapter 2, I have used Emanuel Swedenborg's *Divine Love and Wisdom* (2009a [1763]), and *Divine Providence* (2009b [1764]), in chapter 3, Adam Smith's *Theory of Moral Sentiments* (2006 [1759]), *Wealth of Nations* (2005, [1776]). Theoretical framework of Chapter 4 is based on Michael Shapiro's *Language and*

*Political Understanding. The Politics of Discursive Practices* (1981), and John Hobson's *Eastern Origins of Western Civilization* (2004) has a pivotal position as far as colonialism is concerned. As for the concept of representation in the sense of a discursive regime, I first encountered it in Christina Rojas *Civilization and Violence* (2002), but the analytical context is essentially Foucauldian and has been used by Ernesto Laclau in an analysis of hegemonic discursive practices (Shapiro 1981, 140; Palonen 2008, 213).

I have employed two reference practices. Whenever sources used paragraphs and there are various editions available, I have referred to paragraphs or books sometimes also denoting the translation. In this manner I have tried to keep up an accurate reference practice, which, especially in case of classical texts, is difficult to keep up without referring to the paragraphs. Accordingly, in this reference, (Descartes 1985, AT VI § 18), AT denotes that the reference is to the twelve-volume edition by Adam and Tannery, VI stands for the sixth volume and § for the paragraph. In (Smith 2005, I.i, 10) I. stands for the first book, i., for the first chapter and 10 for the page number. In most cases I have followed the normal practice of referring to author, year, and page number.

The theoretical part of chapter 5 is based on Friedrich von Hayek's *Road to Serfdom* (1956 [1944]), *Constitution of Liberty* (1990 [1960]), and *Fatal Conceit* (1988), Ludwig von Mises' *Theory and History* (1957) and Milton and Rose Friedman's *Free to Choose* (1979). The structural part is based on the internet pages of IMF, WTO, World Bank, the pages of policy agency groups (International Chamber of Commerce, European Roundtable of Industrialists, BusinessEurope etc.), and the pages of policy planning groups (World Economic Forum, Bilderberg group, Trilateral Commission, etc.).

In this research, the method of analytical proceeding included various steps. First step was to analytically conceptualize the object of study. This involved a conceptualization of civilization as a system from the structural and theoretical perspective of international political economy. It also involved a conceptualization of this system as a discursive representation of civilization as in civilizational discourse. Second step was to develop the tools of evaluation, that is, the two theoretical perspectives. In this process I tried to systematize theoretical input into the two analytical perspectives, and to forge as simple analytical conceptualization of the main interpretation as was in my power. Finally, I used these perspectives or principles in order to normatively evaluate the analytical conceptualization of 'neoliberal civilization'.

As there is no special method for data collection and data analysis, some comments may be in order about the process of reading and how I ended up with the above described approach. I began the reading process with Marx, Hayek, Smith and other classical, neoliberal and socialist books in order

to understand the political and economic system we live in. I realized that a theoretical approach of this kind could only become a comparison between theories, not really an independent evaluation. Marx speaks of one truth, Hayek of another, and both do it in a logical manner. But if two opposite things cannot be true, then either they are both false, or only one is true. It did not seem worthwhile to study Marx from Hayekian perspective, because the result is predestined, nor to study Hayek from Marxist perspective, because of the same reason. Comparing both Marx and Hayek to classical liberalism and to the even earlier writers of freedom and equality, and from this comparison to deduce the common trends and the reasons of dispute, could have been interesting, but there is abundantly of this kind of research not least in the field of history of political thought (see Rothbard 2006). Further, I was mostly interested in the present system. Theoretical reading was intended to understand the system of political economy or the capitalist system. The result of this struggle to find a perspective led to the formulation of Swedenborgian and Smithian perspectives.

Smithian perspective cannot question the ontological foundations of neoliberalism or Marxism. It cannot be formed into a coherent system of knowledge of both human action and the natural laws. This consolidation seems to have been done by Emmanuel Swedenborg. An application Swedenborg's philosophy on the present reality of the social world is enlightening: truth in social science becomes an absolute concept, instead of a merely relative matter of subjective desire. Thus, apart from being an analytical perspective, Swedenborgian perspective is based on a cognitive systematization where norms and values are structured in a definite relation to the each other and the whole system.

In Nicholas Rescher's *Cognitive Systematization* (1979) we read that the claim for systematics is the defining one in all scientific knowledge. Knowledge is a truth-claim, which must bear resemblance to the truth itself: *"knowledge must reflect the truth"*. Truth should be understood as a system, featuring three qualities: comprehensiveness (or completeness), consistency, and cohesiveness. Cohesiveness, argues Rescher, is explicable in terms of inferential interdependence, which means, that we have such a system of true claims, with such interdependence between them, that *"even if some element is hypothetically deleted, it can nevertheless be restored from the rest"*. On these notions Rescher formulates his definition: *"knowledge should be a system"*. The whole Western epistemological tradition is deeply rooted in the assertion that *"scientific development of our knowledge should proceed systematically"*. Rescher quotes from Immanuel Kant the following: *"Every discipline (Lehre) if it be a system – that is, a cognitive whole ordered according to*



*principles – is called a science*<sup>3</sup>”. (Rescher 1979, 18, 19, 21.) Swedenborgian perspective serves this thesis in its attempt of incorporating knowledge of civilization and neoliberalism into a system of truths that derive its origin from the first cause and where the nature of each subsequent thing is defined by its relation to the first cause.

Chapter 3 deals with classical liberalism. As I evaluate neoliberalism with a perspective that is derived from classical liberalism, there may be some grounds of including the method of comparative historical analysis. Comparative historical analysis is more often than not used to answer what Mahoy and Reuschemeyer call big questions to find causalities in processes over extended period of time. Causality is central in this kind of analysis, but also time meaning the specific contextual framework affecting duration of a phenomena and how the same processes differ in time and depth in different regions or among different populations. Analysis is not based on randomly chosen units but in systematic choice of *”similar and contrasting cases”*. It is the oldest tradition of social sciences and still a prominent one used by for example Adam Smith, Karl Marx, Max Weber or from our contemporaries Immanuel Wallerstein. (Mahoy & Reuschemeyer 2003, 3, 7, 10, 12-14).

I am concerned with the idea of liberty and free markets within the liberal tradition. In this sense, there are elements of the latter methodology. Primarily, however, the Smithian perspective is used to analyze what is wrong with neoliberal civilization and how things should be rather than what is in common and what has changed. Thus, after all, the research task in this thesis does not comply with the agenda in comparative historical analysis. Further, most intellectual work includes comparisons between things and events. The use of any intellectual system as an analytical tool for other intellectual systems necessarily includes comparisons, but the difference with comparative and for example, normative analysis is, or at least so I interpret it, the status given to these perspectives in respective approaches. In the latter kind of approach, both systems are treated equally, whereas normative analysis looks at the other system from certain perspective, and consciously strives for interpretations that are derived from the other system, and not vice versa. In purely comparative research, normative approach would not be possible, because then, comparison is not neutral.

According to Quentin Skinner historical sources can be tricky. For that reason, a student should be aware of what the writers *“where doing in writing as they wrote”*, and assume that what they wrote about is the best guide for understanding their thoughts. We should not force our own beliefs and interpretations but concentrate on the original message. I follow Skinner's golden rule: *“However*

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<sup>3</sup> Quote is from Kant's preface to *Metaphysical Foundations of Natural Sciences* (tr. L. W. Beck).

*bizarre the beliefs we are studying may seem to be, we must begin by trying to make the agents who accepted them appear as rational as possible.*” That entails the “*context of presuppositions and other beliefs*” that enabled our source to make such conceptions as he did. (Skinner 2002, 3, 40, 42, 51.) Skinner's notion is further clarified by Jorma Kalela, who remarks that a student of history finds objectivity in defining her own references (Kalela 2000, 104, 105), which enables him not to impose his own assumptions on the object of study. However, my interest in historical texts is not that of an historian but of a political scientist (or political theorist). (See Farrelly 2004; Philp 2008).

Still, as the conceptual history of liberalism is relevant in my attempt to interpret the present phenomena of neoliberal civilization from the perspective of a political scientist, conceptual historical analysis of the genealogy of liberalism may be used to describe chapter 3 in particular, but also chapter 5, where the neoliberal offshoot from the heritage of classical liberalism is treated with. At the same time, the perspective of a conceptual historian would have been more inclusive of liberal theorists and excluded the work done in chapter 2, the Swedenborgian Perspective, chapter 4, Civilizational Discourse, and the systemic or institutional part of chapter 5.

The approach to theoretical sources and classical texts may be called critical reading, where the purpose is to understand the logic of argumentation (see Gill 2011, 27). This involves systematization and evaluation of the key arguments according to the requirements of the research questions. No matter how analytically and understandably one reads, reading is not a research method because, in itself, it does not produce new knowledge. Theoretical sources can be studied with some outside perspective or from within. In the latter case new conceptualizations, theoretical openings and discursive or analytical interpretations are searched from within the source. In both cases there is an interaction with the source and the researcher, and the outcome is decided by the input of the source material but also from what already exists as mental landscape in the mind of the researcher.

Besides these issues of interpretation and analysis, the conceptualization of the object of study was difficult. From the beginning it seemed clear that neoliberalism and civilization are in some manner connected. At first I was inclined to see to civilization as a system for the perspective of historical materialism, which implies the either the crisis of capitalism or crisis of civilization. Later I had to reject this interpretation. While at least some aspects of the capitalist system seem be experiencing a systemic crisis, it does not mean that neoliberal civilization and the power structures of it are in crisis. Quite the contrary seems to be the case. I find that descriptions like ‘economic crisis’, ‘financial crisis’, and ‘debt crisis’ do not fully reflect the politics of neoliberal civilization and that

these descriptions fail to provide an accurate description of the global problems we face today. I will come back to this issue in the final chapter.

## **1.4. Related Research**

The subject matter of this research involves two conceptual frameworks, civilizational discourse and neoliberal system of international political economy. Neoliberal international political economy refers to a real system, civilizational discourse to its representation as an ideal system. The conceptualization 'neoliberal civilization' is indebted to Stephen Gill's (1995, 399) 'market civilization'. According to Gill, the conceptual compound of markets and civilization is an oxymoron. Nevertheless, 'market civilization' corresponds to the representation of free markets as civilizing. There is surprisingly little research on this conceptualization. It may be due to the fact, that even the more inclusive approaches to neoliberalism have been able to resort to conceptualizations like neoliberal globalization, world systems analysis (Wallerstein 1983, 1991a, b), transnational capitalist class formation (Robinson & Harris 2000). In Sklair's (2002) approach, neoliberalism is part of the systemic transnational practices of corporations and transnational elites which take place within the transnational culture-ideology of consumerism.

Taken separately, there is plenty of literature on both neoliberalism and civilization, and on international political economy and discourses. Apart from the aspect of political economy, civilization has been the object of study in cultural studies, because the concepts of culture and civilization are often linked together (see Huntington 2009a, 109). Immanuel Wallerstein, who mostly speaks of capitalism as a world system denominating this system with the word civilization, also speaks of the cultural aspect of civilization. Doing that, Wallerstein speaks of plural civilizations, while in respect to the capitalist system, he speaks of one civilization, a world system. (Wallerstein 1984, 152-3, 165.)

Civilization within the framework of discursive practices has been applied, in particular, on analysis of colonialism (Adas 2004; Hobson 2004) and post-colonialism (Krieken 2009; Mann & Watt 2011). In chapter 4, I will present some related research on this subject. In chapter 5, the same will be done on neoliberalism. For time being, the focus is on research with the combination of the two aspects as implied by the conceptualization 'neoliberal civilization'.

The connection between civilization and capitalism, especially in the liberal tradition, is thought to be as follows: capitalism is the means of progress, and progress is what civilization is all about. The connection has been made in two classics of social science, in Max Weber's *The Protestant Ethic*

and the Spirit of Capitalism, and in *Capitalism, Socialism, and Democracy* by Joseph Schumpeter (Wallerstein 1991b, 219, 221). Friedrich Hayek wrote in his *Constitution of Liberty*, that “the history of civilization is the account of progress which, in the short space of eight thousand years, has created all that we regard as characteristic of human life (Hayek 2006, 37). Hayek, who was a main advocate of liberalism as a civilizing principle, was not alone in lining the concept of civilization with the idea of progress and development. This was done earlier in *Civilization* by Lucien Febvre<sup>4</sup> (2009, 114), who quotes from Francois Guizot<sup>5</sup> the following: “The idea of progress and development seems to be me to be the fundamental idea contained in the word civilization”.

These interpretations do not conflict with historical evidence<sup>6</sup>. Progress and development in the Enlightenment Europe were caused by the rise of bourgeois, by trade, by technical innovations (see Cameron 1995), by transfer of wealth from overseas dominions, and by use of cheap labor-force of the slaves (see Hobson 2004). Even in Karl Marx's theory, the growth of fully international capitalist system was to precede its abolishment by the united class of workers, created and proletarianized by capitalism (Marx 2010, 535, 536). The relation between progress and capitalism from this historical perspective is reviewed under the heading *The Smithian Perspective*. The ideas of classical liberalism (with focus on Adam Smith) are reviewed there - it is not the place to go into that here.

Immanuel Wallerstein is one of the most notable students of civilization as a capitalist system. His systems analysis has been helpful for my own attempt to conceptualize the system of international political economy as a feature of civilization. Conceived of as a system, civilization is dressed with a concrete form, furnished with attributes, and from an abstract object of destiny, a horizon for human development, it becomes a thing with distinct features. These features and this system, are by Wallerstein analyzed with respect to the laws of capitalist accumulation, indebted to Marx's groundbreaking work on subject. I will present some of Wallertein's ideas here, as the approach taken in this study is different.

Wallerstein argues, that capitalism has become such a feature of a global system, that economics

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<sup>4</sup> Lucien Febvre, “French historian of the early modern period and organizer of major national and international intellectual projects” (Encyclopaedia Britannica 2012).

<sup>5</sup> Francois Guizot, “French political figure and historian who, as leader of the conservative constitutional monarchists during the July Monarchy (1830–48), was the dominant minister in France” (Encyclopaedia Britannica 2012).

<sup>6</sup> The claim, that progress and development in Europe, were caused by capitalism as one important reason, can be safely made. Whether this process, however, was beneficial for the rest of world, is completely different thing. As we shall see in chapter on *Civilizational Discourse*, the rise of modern European civilization was not entirely a story of innovations, hard work and humanism.

cannot be ousted out from politics, or the social sphere of human action, but rather, that the economic activity within this capitalist system has become to take such a dominant position over other aspects of social life, that the international capitalist system becomes an attribute of civilization. (Wallerstein 1983, 42, 43.) In *World-Systems Analysis* (Hopkins & Wallerstein 1982, 42) we read: the “*arena of modern social action and modern social change has been and continues to be the modern world-system, which emerges in the sixteenth century as a European-centered world-economy*”. This world system has “*one economy, multiple states, and multiple cultures*”, and it is based on “*the cosmology of more, more of everything, more for everybody, but more particularly (or if necessary) for me or us*”. (Wallerstein 1984, 153, 165.)

Boaventura de Sousa Santos shares Wallerstein’s claims that the influence of capitalism is no confined to the economic sphere of live. Instead, the economic sphere of life has taken over other spheres of social life: “*probably more than ever, global capitalism appears as a civilizational paradigm encompassing all domains of social life*” (Santos etc. 2007, xix). I already mentioned Stephen Gill, who in 1995 wrote that neoliberalism has taken such a hold of our social life, that he used the word 'market civilization' to describe it. Since then, Gill has studied how the economic rationales of neoliberalism affect the political, and established the term 'new constitutionalism' to describe that relationship: with constitutionalism referring to neoliberal orthodoxy (Gill 1995, 399; 1998, 30; 2011.) Teivo Teivainen's (2002) case study from Peru, *Enter Economism, Exit Politics*, affirms Gill's more general findings.

According to Santos and Wallerstein, the rationales of the capitalist system have formed the Western sciences and epistemology. The epistemology of modernity is derived from the capitalist class structures. Social good is defined in relation to what is conducive to capitalist reproduction; development as that which serves the capitalist interest of stockholders and international capitalist class; and as far as international relations are concerned – Third World, indigenous peoples and global peripheries are areas, which lack behind the Western concept of development along the lines of capital accumulation and construction of such a political, social, and economic infrastructure that will best serve the purposes of capital accumulation. (Santos 2007; Wallerstein 1991a).

The idea of Western civilization as the one idea defining progress and development, was also the object of Walter Mignolo's book, *The Idea of Latin-America* (2005). Like Santos and Wallerstein, Mignolo criticizes the Western ontology of growth, and sets the former formation of Latin American identity in the context of European colonization. The concepts of developing world, and the Third World, are both Eurocentric conceptualization of what kind of social development is preferable.

Another recent work on the subject is *Civilizing Missions in Colonial and Postcolonial South Asia: From Improvement to Development* (2011), by Michael Mann and Carey Watt.

What is common in these latter approaches, is that the history of capitalism is described as a history of civilization in the sense that the emergence of a capitalist class did not only alter the class structure of their respective countries by creating the class of laborers, but it also took hold of the idea of destiny and extended its grip of power via proprietorship on foreign lands and people. The capitalist system thus structured the societies of nation states, the relation between center and peripheries within countries and globally, and it created the image, on its own terms, of what was to be thought of the future. In this sense, Fukuyama's last man, destitute of the horizon of bright destiny, is left living the present reality by his own choices, by his own wits, by his own efforts, combined with those his comrades. This man is the last, because of the modern education he no longer cherishes utopias of times, when everyone will be equal, when heaven will ascend to earth, or nothing of the sort, but instead, lives the present day, because the present day is the only time and the only state, which he can change, and with certainty experience (Fukuyama 1992, 116, 306).

Wallerstein's systems analysis is heavily indebted to Marx' work, especially the notion of capitalist accumulation, and the historical process of class conflict, which in time will set the capitalist system in crisis. According to Wallerstein, crisis consists of the economic squeeze, the political squeeze and the ideological squeeze. The economic squeeze is caused by the internal tensions in the mode of production. Strive for higher profits and lowers costs in global economy will tend to diminish the global aggregate demand. It lies in the interest of each company, to move their production facilities to countries, where labor costs are low, meaning, where social expenditure on health, pension, and insurance are low, and where work hours come cheap. But if all companies choose this strategy, the potential to consume will decrease. In global peripheries the labor movement is much weaker than in the Western world, further, social security infrastructure is non-existent or on a very basic level. The working people are more dependent on their jobs as their primary source of subsistence, and accordingly, they lack the capacity to negotiate significantly higher wages. This further aggravates the problem of global aggregate demand. (Wallerstein 1991a, 24, 25; also Robinson 2005, 319.)

The political squeeze refers to the conflicting interests of the proprietor class. They are united in their interest in preserving the domination of productive forces, and divined competition in effective usage of them, which then results the economic squeeze, and the inability of retaining the political unity as a class. Third strand of the crisis of civilization is the ideological squeeze. It consists of the

anti-systemic movements, opposing the polarization of global distribution of income, and of the increasingly pressing environmental concerns. (Wallerstein 1991a, 24, 25.) Robinson (2005, 319) elucidated this as the 'crisis of legitimacy and authority' caused by millions of excluded people questioning the legitimacy of the global system.

In *Guardian*, Andrew Simms (2010) writes that the social and environmental cost of carbon emissions of oil companies BP and Shell exceeded their total profits: In 2006, BP and Shell got 26 billion sterling in revenue while the cost of carbon emissions was 46.5 billion sterling. Had the cost been calculated to the price of oil, both consumer prices and supply would have been affected. Consumers had consumed less, companies shifted down their supply, and emissions decreased. The difference between the above figures is 72.5 billion sterling. Accordingly, small change could have considerable impact on carbon emissions: setting prices that reflect the long term environmental scarcity and the cost of repairing the potential damages (Stiglitz 2010, 196). Without international regulation that will hardly be done. Cheap oil is good both for consumers and producers – in short term. Unilateral incorporation of all costs to consumer prices would give an advantage to the less environmentally conscious competitors<sup>7</sup>.

It is not necessary to consider the capitalist system as a civilization, or as a system of broader scope, to be able to understand and study the effects of capitalist world system and neoliberalism on other aspects of social life. The connection is made on some literature, but on some, it is left out entirely. In some research, civilization is either equaled with capitalism, or not mentioned, perhaps because other words are seen more fit to the particular perspectives of these research. Thus, Teivainen does not mention civilization in his *Enter Economics, Exit Politics*, nor is civilization a key word in Gill's *Power and Resistance in the New World Order* (2011), or his even more recent article, *Towards a Radical Concept of Praxis: Imperial 'Common Sense' Versus the Post-Modern Prince* (2012). Civilization is neither the topic in Joseph Stiglitz' critical analysis of globalization, *Globalization and Its Discontents* (2004), nor in his treatise of the recent economic crisis, *Freefall. Free Markets and the Sinking of the Global Economy* (2010). Other critics of the current economic praxis, like Heikki Patomäki, does not use civilization in his analysis of neoliberalism and world economy, and how they collide with democracy, sustainable growth, and bring about global imbalances (see Patomäki 2007, 2009, 2012a).

In Oswaldo de Rivero's *Myth of Development: Non-Viable Economies and the Crisis of Civilization*,

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<sup>7</sup> Prisoner's dilemma poses an argument in favor of systems of global governance with the Weberian notion of physical force as a means to ultimate guarantee of compliance to the agreed rules. For prisoner's dilemma see Paloheimo and Wiberg (1997, 31-39) or Brams (2011).

Peruvian former ambassador, writes about the same things as Stiglitz, Patomäki, Gill, Teivainen, who all speak about economic crisis, crisis of uneven development, global imbalances, and environmental problems, but de Rivero seeks for a more comprehensive word to describe the nature of the problem, and that word, is civilization, which thus is used in a sense akin to the usage by Santos and Wallerstein. We are experiencing

“a crisis of our unsustainable urban civilization that is spreading inexorably to all parts of the planet, thus making water and food scarce and expensive and using up contaminating fossil fuels. Our global urban civilization is incapable of recycling or replacing the fossil energy it uses and which is heating up the planet; so far, it has also been unable to change the patterns of consumption which are destroying its own habitat. Our civilization thus operates in the same way as a cancerous cell that goes on destroying the organism off which it lives. The crisis is far-reaching in the sense that it is ethical and based on the ideology of material progress at any price, a self-destructive ideology which believes that the planet can provide us with infinite resources and absorb unlimited pollution.” (de Rivero 2010, 2, 3.)

Literature on civilization and capitalism can be divided into groups, who approach the issue from Marxists perspective (Wallerstein 1984; 1991ab; Gill 1995), from Keynesian perspective (Patomäki 2009; 2012a), and from liberalist perspective, which includes different version of neoliberalism (Stiglitz 2004; 2010; Soros 1998; Hayek 2006). These approaches have in common that the writers are concerned with democratic deficit in political economy and, if we exclude Hayek, they all demand democratization of it and the end of neoliberal dominance over politics. Further, the present economic system is considered as non-viable, and non-sustainable, and thus, that the system, be it world system, or economic system, is in crisis.

Another group of literature is comprised of those, who have studied the elite and class structures of this world system. From this group we can mention *Towards a Global Ruling Class? Globalization and the Transnational Capitalist Class* (2000) by William Robinson and Jerry Harris, and *Making of a Transnational Capitalist Class: Corporate Power in the 21st Century* (2010), by William Carroll. The concern in this group of literature is on the elite structure of global capitalism, or class structure, which of course, is a concurring theme in Wallerstein' and Gill's work, and generally in all studies influenced by Marxism.

To conclude, the concept of neoliberal civilization (or market civilization) seems relatively little used. Neoliberal civilization as discursive system (or practice) of neoliberal international political economy has received even less attention. The notion that neoliberalism is an ideological conception of truth, and that this conception has a dominant role in global political economy<sup>8</sup> has,

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<sup>8</sup> It seems better to insist on 'global political economy' instead of global economy because of the technocratic implication of 'global economy' as being distinct from something that is politically defined, conceptualized and



however, been acknowledged in most research on neoliberalism or the capitalist system (see Soros 1998; Plehwe & Walpen 2006; Stiglitz 2010). Related research on this subject may be grouped in categories ranging from Marxism to neoliberal reformist and regulatory fractions<sup>9</sup>. The latter groups include for example the economist Joseph Stiglitz and the financier Georg Soros. The epistemological approach (Swedenborgian perspective), the development and application of Smithian perspective, and the analytical conceptualization of neoliberal civilization constitute a novel perspective towards a phenomenon (neoliberalism and neoliberal international political economy) that otherwise has been an object of rather extensive attention.

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constructed (see Teivainen 2002).

<sup>9</sup> Neoliberal fractions are defined in chapter 5. Here it is enough to note that neoliberal thought is coherent in its belief in global markets and the institution of private property as the means of providing for social and individual needs and desires and the epistemological foundations on Eurocentric notion of individualism (Theimer 1950, 263; Hayek 1956, 13, 22; Mignolo 2005, 98-101; Wallerstein 1991a). Neoliberal fractions differ in the level and kind of regulations and on conceptions of what kind of institutions, if any, are desirable to regulate global (political) economy (Robinson & Harris 2000, 48-50). As far as the term 'global economy' is concerned, only the free market fundamentalist fraction seem to be convinced of the technocratic nature of economy (see Stiglitz 2004). This approach includes the belief in the so called random walk theory, which implies that market patterns are defined by no single factor, but instead follow a random pattern, and that thus, individual actors lack virtually any possibility of affecting the outcome. (Soros 1998, 27, 57, 94, 95; Koop 2007.)

## 2. SWEDENBORGIAN PERSPECTIVE

### 2.1. Swedenborgian Universalism Against Neoliberal Subjectivism

The primary task in this chapter is to conceptualize normative principles for evaluation of neoliberal civilization. The principles are based on a conceptualization of the world based on a universal system, which by Emanuel Swedenborg was called the Divine Order. Swedenborg was a Swedish scientists and theist philosopher of the 18th century. Ralph Emerson (2004, 59) included Swedenborg in his treatise of the *Representative Men* describing Swedenborg as “one of the missouriums and mastodons of literature”, who “is not to be measured by whole colleges of ordinary scholars. His stalwart presence would flutter the gowns of a university”. Swedenborg's thinking shows similarities with Platonic and Cartesian thought (Emerson 2004, 61; Siukkonen 2000, 189). For an idea of Swedenborg and his philosophy, let me quote from Honoré de Balzac's (2012, 67) character Louis Lambert:

Any man who plunges into these religious waters, of which the sources are not all known, will find proofs that Zoroaster, Moses, Buddha, Confucius, Jesus Christ, and Swedenborg had identical principles and aimed at identical ends.

The last of them all, Swedenborg, will perhaps be the Buddha of the North. Obscure and diffuse as his writings are, we find in them the elements of a magnificent conception of society. His Theocracy is sublime, and his creed is the only acceptable one to superior souls. He alone brings man into immediate communication with God, he gives a thirst for God, he has freed the majesty of God from the trappings in which other human dogmas have disguised Him. He left Him where He is, making His myriad creations and creatures gravitate towards Him through successive transformations which promise a more immediate and more natural future than the Catholic idea of Eternity. Swedenborg has absolved God from the reproach attaching to Him in the estimation of tender souls for the perpetuity of revenge to punish the sin of a moment - a system of injustice and cruelty.

God and what Swedenborg calls the Divine orders are central in Swedenborgian philosophy. Key concept in an introduction to his thinking is the concept of 'first cause'. It is an epistemological concept based on the notion that all things derive their existence from a first being. This being is the origin of life and an uncreated being. Everything that exists derive their existence from this first cause, which means that all things are part of one universal system. This kind of theistic ontology implies that norms of social life should be in accordance with this universal system. The focus of this chapter is in outlining the principles of that system. This is what I call the Swedenborgian perspective.

While Swedenborg was a proponent of universalism, neoliberalism is based on quite different

ontological and epistemological premises. This chapter also aims to question these premises. As representatives of neoliberal epistemology<sup>10</sup>, I have included Ludwig von Mises, Friedrich von Hayek, Karl Popper, and also Donald T. Campbell, because Hayek's latest work, *The Fatal Conceit* (1988), is indebted to Campbell's work. This chapter begins with presenting and problematizing neoliberal epistemology. Problematization lies in the contradiction between universalism and subjectivism. Swedenborgian approach adheres to the former, neoliberal approach to the latter.

## 2.2. On Neoliberal Epistemology

According to Colin Farrelly (2004) political theorists are interested in questions of ought and should. Farrelly writes that “*political theory is thus a normative discipline, it is primarily concerned with how things ought to be as opposed to how things are*”. Political theorists attempt at conceptualizing the different values or norms which different social systems are founded upon. Their task is to understand, evaluate, criticize legitimize and improve social life. (Farrelly 2004, ix, x.) It seems to me that this task today is less and less relevant as far as actual policy implications of research are concerned. At the same time it seems that the need for this kind of research in getting more and more important. These two circumstances are due to what appears as the hegemonic position of neoliberalism. (See Robinson & Harris 2000; Stiglitz 2004; Plehwe & Walpen 2006; Harvey 2007.)

The ontological premises of neoliberal theory have their foundation in early disputes about what there is out there. Plato firmly adhered to dualistic ontology believing that the existence is divided into two realms, the physical and the spiritual. Since the spread of Christianity this dualism combined with strong theocentric underpinning became the leading dogma of the European academia until the beginning of the modern age.

Voltaire's satire, *Candide* (1997), is a beautiful refutation of Platonic and Aristotelian heritage interpreted in the doctrine of predestination. In *Candide*, Dr. Pangloss was the man of theocentric world-view, a firm believer in Divine order and Providence. Pangloss believed that everything in the world was ordained for the best purposes and that this world is the best of all possible worlds. On one occasion this silly doctor exclaimed, writes Voltaire, that “*noses, you observe, were made to support spectacles: consequently, we have spectacles.*” No matter how harshly life treated him and his candid fellow with “*outlooks of utter simplicity*”, Candide, Dr. Pangloss held unto his

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<sup>10</sup> Popper, Mises and Hayek were founding members of neoliberal agency group, Mont Pelerin Society (Mont Pelerin Society 2012d). According to Plehwe and Walpen (2006, 27-9) it has key role in forming neoliberal intellectual leadership.

beliefs claiming that “*those who say that everything is good are talking foolishly: what they should say is that everything is for the best.*” (Voltaire 1997, 1, 2.)

Neoliberal epistemology shares Voltaire's rejection of theocentric ontology. The existence of God and all things relating to the existence of God are assigned with a place outside science. There may or may not be God, but his existence is irrelevant for science. (Mises, 1957, 175; Hayek 1988, 73, 140.) Since the declaration of God's death by Nietzsche, this position has come to predominate the scientific community (see Sorell 2005). However, it seems, if there is no universal system of truths wherefrom we could derive at least the general principles for social life, the definition of those principle becomes difficult. It follows that the will of an individual becomes the highest authority of good and truth. In this case, good and truth are not absolute ideas, or in Hegelian terms, determinacies of the absolute in-itself and for-itself (Hegel 2010, 337-9). In neoliberal theory, good and truth are subjective perceptions. In the act of choosing, they become observable facts. (Mises 1957, 14-5.)

Ludwig von Mises, an economist from the Austrian school and one of the founding members of neoliberal agency group, Mont Pelerin Society (MPS), puts this idea into a form of science, which he calls praxeology, a science of human action. In *Theory and History, An Interpretation of Social and Economic Evolution* (1957, 3, 4), Mises states, that metaphysics is not a science, because what is scientific, is derived from scientifically established experiences: metaphysics, shamans, religions, or anything which pertains to the realm of the invisible, can offer nothing but personal statements.

Scientific knowledge of human action is thus confined to the process of choosing. Mises writes, “*these acts of choosing are determined by thoughts and ideas about which, at least for the time being, the natural sciences do not know how to give us any information*”. This renders normative science impossible: all values are of subjective origin, and from subjective and individual things there is no other way to develop binding rules, norms, and values for all human action but the way of slavery and totalitarianism. (Mises 1957, 11, 22, 26, 35; Popper 1966.) Accordingly, social science should be interested in the observable act of choosing. Objectivity of social science relies on this notion. Mises' formulation of the science of human action follows these lines. Let me quote (Mises 1957, 309):

The a priori discipline of human action, praxeology, does not deal with the actual content of value judgments; it deals only with the fact that men value and then act according to their valuations. What we know about the actual content of judgments of value can be derived only from experience.

In *Human Action, A Treatise on Economics* (Mises 1949, 15, 21) we read:

Praxeology is indifferent to the ultimate goals of action. Its findings are valid for all kinds of action irrespective of the ends aimed at. It is a science of means, not of ends. [...] At the same time it is in this subjectivism that the objectivity of our science lies. Because it is subjectivistic and takes the value judgments of acting man as ultimate data not open to any further critical examination, it is itself above all schools of dogmatism and ethical doctrines, it is free from valuations and preconceived ideas and judgments, it is universally valid and absolutely and plainly human.

When I wrote that it would be very difficult to define general principles of human action, if there is no universal system of truths, I made a claim that Mises, Hayek, and Popper would not accept. The principle of individual liberty takes the will of each social actor as the highest authority over its own actions, whereas a theocentric system would rather abide to the dictates of an interpreter of a divine authority – and impose the will of these interpreters on the rest of the society. These three members of the Mont Pelerin Society (MPS) were fully ascertained that any attempt at imposing norms and general values on the rest of society is an inherently totalitarian project. *The Open Society and Its Enemies* (1966) by Popper deals with these issues. According to Popper, Plato, Marx and Hegel were all totalitarian scientists. Plato applied what Popper describes a methodological essentialism. It is based on the view, “*that it is the task of pure knowledge or ‘science’ to discover and to describe the true nature of things, i.e. their hidden reality or essence*”. According to Plato, the essence of a thing is beyond the world of sense-perception: “*The essence of sensible things can be found in other and more real things—in their primogenitors or Forms*”. (Popper 1966, 39.)

Instead of trying to find and define these real but unseen essences, science should be concerned with “*describing how a thing behaves in various circumstances, and especially, whether there are any regularities in its behavior*”. According to Popper, this is the approach of methodological nominalism. It aims at description of things and events, and in an explanation of them in a structured and coherent manner in the form of universal laws. (Popper 1966, 40.)

Both Mises and Popper wrote extensively about Hegelian and Marxists interpretations of history. Their criticism was based on basically the same epistemological argument about subjectivism and nominalism. (Mises 1957, 184-260; Popper 1966.) Of these three members of the MPS, it may very well be Friedrich Hayek who has been the most influential as a neoliberal intellectual. Hayek's best-selling refute of totalitarianism, *Road to Serfdom* ([1944] 1956), in contrast, seems a deviation from Mises' and Popper's epistemology. But it is not an epistemological treatise. It attempts at describing the growth and impacts of a totalitarian form of government. According to Hayek, the danger with majority governments and patronizing public policies is the mental change that these policies tend to cause. Instead of acting from their free will people who learn to obey learn to like obeying and

commence expecting someone else to take responsibility for their actions. Ultimately, the effect is the deterioration of the creative forces of human society. (Hayek 1956, x, xiv, 2-4, 180.) Hayek's approach in *Road to Serfdom* has more to do with psychology than epistemology.

Epistemology is given a bigger role in his later books, *The Constitution of Liberty* (2006) and *The Fatal Conceit* (1988), especially in the latter one, where Hayek writes about evolutionary epistemology. Evolutionary epistemology is influenced by work of Popper, and was developed by Donald T. Campbell in much more extensive manner than in Hayek's short treatise, *The Fatal Conceit*. According to Campbell, Popper was the “modern founder and leading advocate of a natural-selection epistemology”. Instead of adhering to metaphysical ideas, like Kant, Hegel, Plato, and in Mises' (1957, 184) interpretation even Marx, epistemology should be thought of in analogy with biological evolution – a slow process of cellular mutations and molecular combinations. There never are fully new combinations born, and those born are far from always useful combinations. In Campbell's interpretation, useful changes are passed over to next generations and slowly become part of the genetic heritage of population. Thus, we see a progress towards perfection, which may appear as if guided by some invisible hand, but which only is a process of trial and error, and the survival of the best practices. Human theory of knowledge should be built on this notion, not upon normative ideologies. (Campbell 1988, 394-398, 419, 425, 434.) When Hayek discussed evolutionary epistemology in his *The Fatal Conceit*, he referred to Campbell's work.

The mechanism of this process of evolution is active, if men are allowed to choose, commit errors, and learn from them. A more commonly known term or perhaps more Hayekian term is the spontaneous order, which he develops in *Constitution of Liberty*. For Mises and Hayek, economics is the best known form of theory of human action, and is based on solid grounds of human epistemology. But the science based on freedom of action is not merely confined to economic matters: the underpinning notion of liberty is the very foundation of evolution, of civilization and of progress. (Hayek 2006, 19, 23, 51; Mises 1957, 309.) In chapter five I will go deeper into these issues.

The principle of freedom or the apriori science of human action, praxeology, has been applied in economies all over the world since the 70s. Yet, forms of domination remain active, and it seems that freedom and independence of peoples have rather tended to diminish over time (see Gill 1995; 2011). In terms of Wallerstein (1983, 97-100), neoliberalism is about the accumulation of economic power from the peripheries to centers, and this process is as old as capitalism (also Marx 2010, 521-32). Human life is marked with fragrant asymmetries, comparable to those during the feudal times

(see Chossudovsky 2003). These asymmetries on global level are so steep that there may be reasons to call the age of revival of the liberal values of freedom, i.e., neoliberalism, the age of new feudalism. Most people are not economically independent. In this sense, most people are not free. In the *Communist Manifesto*, Marx and Engels (2006 [1848], 22) wrote:

You are horrified at our intending to do away with private property. But in your existing society, private property is already done away with for nine-tenths of the population; its existence for the few is solely due its non-existence in the hands of those nine-tenths.

At the same time, it also holds that the human population has increased dramatically during the development of modern capitalism (for. ex. Cameron 1995). Thus, Hayek's answer to the above quote from the Manifesto is that these propertyless nine-tenths never existed before they were given birth to by wealthy capitalists (Hayek 2006, 104). Moreover, life expectancy of most people has risen and today we have recourse to almost innumerable useful commodities and services that people centuries ago could not even dream of.

Since Adam Smith, liberals and neoliberals have conceptualized poverty and inequality in a context of capitalism. For liberals, capitalism and civilization go together. There can be no civilization without capitalism, that is, private property and free markets (Smith 2005, I.i, 16; Hayek 2006, 46-7). In the next chapter I will show that Adam Smith's interpretation of private property and free markets was markedly different from the one made by neoliberals. However, Smith did accept inequality, accumulation of private property and was a firm proponent of free markets. According to the liberal conceptualization of poverty and inequality, and in particular, according to neoliberal conceptualization, capitalism provides for the existence and livelihood of the poor (Hayek 2006, 36-40). But according to socialists, capitalism deprives the livelihood of the poor.

It seems to me that the discussion between liberals and socialists has wound up in a dead lock. The interpretations of the fundamental laws of economics are too different for a compromise. Take for example value of labor. Neoliberals link value of labor with the market price of a commodity (Hayek 2006, 70; Friedman 1979, 13; Mises 2006, 2). The interpretation of the socialist tradition follows Marx' theory of value. According to Marx, the value of a thing is to be measured in the amount of labor put into it. All commodities are labor concretized and transformed into the form a commodity – congealed labor. In his theory about socialism of the 21st century, Heinz Dieterich (2004, 40), wrote that prices ought to be fixed at an hourly rate of labor.

The purpose of the theocentric cognitive systematization is to provide an epistemological frame of evaluating the basic premises of neoliberalism. If neoliberal system of knowledge is constructed

upon false or questionable premises, it appears hardly surprising that what is supposed be a civilization of freedom is rightfully objected to the socialist critique. Neoliberal conceptualization of freedom is not without problems, as we shall see in the end of this chapter.

## **2.3. Theocentric Cognitive Systematization**

### **2.3.1. Descartes and Plato**

An outline of normative principles for social action from the perspective of Swedenborg's philosophy relies on two primary epistemological concerns. First one has to do with the concept of 'first cause', second with the existence of two distinct and separate substances, the spiritual and the material substances. These two concerns are linked together in the following manner. The concept of the 'first cause' implies that all things that exist have originated from a first cause. The first cause is the origin or cause of all other things, that is, life itself. This means that the first cause consists of different substance than the world it has created. If the first and the second, or the cause and the effect would consist of same substance, they would be indivisible in their substance: the second would be substantially the same as the first, which means that there would be no difference between the first and the second. If nature is not eternal, that is, at the same time the first and the last, then, the first and the second consist of different substances. The spiritual substance is the substance of the first cause. The idea of eternity as beyond time is a spiritual idea. Material substance is that of the created world denoted here with the word 'second'. Material ideas are bound by the limits of time and space. (Swedenborg 2009a.)

Spiritual substance lacks the attributes of material substance. Instead of time and space, the attribute of the spiritual substance is state or condition. According to Swedenborg, first cause is Love itself and Wisdom itself, or, what is the same, Good is and Truth itself. This means that the substance of God consists of pure Love and Wisdom. The substance of the spiritual world is defined in relation to Love and Wisdom. 'Spiritual' denotes the state or condition of love and wisdom, but it can also denote the state or condition in lack of love and wisdom, that is, the state of hatred and madness. (Swedenborg 2009a, § 1-6.)

The idea of a 'first cause' and the dualistic ontology of the spiritual and natural worlds have been professed in some form by various writers. Descartes, for example, reached this kind of belief by following his own method of philosophizing. Descartes' method of building a cognitive system consists of two phases. First phase is the process of tearing down, second the process of reconstruction. The process of tearing down means getting rid of all preconceived opinions,



fallacies and beliefs which may cloud ones intellectual capacities. For this reason Descartes urged his readers to doubt everything. Given that sense-perception is liable to errors, sense-perception cannot be regarded as a means to attain certain truths. Moreover, sensual perceptions are prone to deceive us. Dreams, for example, may appear as real to our senses as the external world appears when we are awake. Accordingly, at the first phase there is nothing else that can be considered certain than the process of doubt. From that notion Descartes derived the first piece of knowledge: “*I am thinking, therefore I exist*”. (Descartes 1985, AT VIIIA § 5-7.) Descartes was led to doubt by quality of academic disputes, of which we read the following (1985, AT VI § 8):

Considering how many diverse opinions learned men may maintain on a single question – even though it is impossible for more than one to be true – I held as well-nigh false everything that was merely probable.

The process of doubting is to be followed with a process of building up the cognitive system. Descartes attempted to do this by applying Euclidean logic. According to Nicholas Rescher (1979, 40-3) Euclidean model of knowledge is based on building a chain of knowledge. The certainty of any truth claim depends upon validity of the first principles. All other truths are contingent upon the validity of the first principles, and the subsequent truths can be deduced from the preceding truths. Socrates was a friend of rather similar kind of approach. We read in *Phaedo* (Plato 1999, 87):

I first assumed some principle which I judged to be the strongest, and then I affirmed as true whatever seemed to agree with this, whether relating to the cause or to anything else; and that which disagreed I regarded as untrue.

This agenda led Descartes to make a distinction between mind and body. The process of doubting everything assures that the activity of thinking is the only thing beyond doubt. Hence, Descartes made the conclusion that soul exists and that the soul is better known than the body. (Descartes 1985, AT VIIIA § 7-9.) In Plato's *Phaedo* Socrates is quoted saying that search for truth must be done without the company of body, with mind keeping company to itself (Plato 1999, 48).

From this notion he derived the second, which is the existence of the God. Namely, despite being able to think about, for example, eternity and omnipotence, Descartes knew that he was neither eternal nor omnipotent. He thought that his own existence as an imperfect being was contingent upon the existence of a perfect being. This notion implies two lines of reasoning. First deals with the logic of the first cause. Nothing comes from nothing and since something has come from something, it follows that the creator of all things also exists. It also follows, that same cause, which originally produced everything, must continually reproduce them or keep them in existence. The second line of reasoning is more specific. If people are able to think about eternity, omnipotence

and about a perfect being, there must be some source for these ideas. These ideas must originate from something that has these attributes. This something is God. (Descartes 1985, AT VIIIA § 10-3.)

Descartes method led him to ascertain that all things that exist are contingent upon the existence of God as the first cause of everything and who constantly keeps things in existence. Having made that conclusion he was happy to leave inquiries into the nature of God and the principles of good life for church and religion. He wrote, “*we shall entirely banish from our philosophy the search for final causes*”, because what is infinite, cannot comprehend what is finite, “*and we should not be so arrogant as to suppose that we can share in God's plans*”. (Descartes 1985, AT VIIIA § 15, 16.)

Plato’s argument for the existence of absolute or true ideas is similar to Descartes above arguments. In *Republic* (1991 [c. 380 BC]) Plato distinguishes the physical form of a thing from the substance or idea of a thing. Physical forms are always particular, whereas ideas are absolute and universal. Carpenters, for example, are makers of particular couches. But the maker of the idea of a couch, that is, the origin of the idea of couch itself, the absolute and universal couch, is God. Same holds for other things: politicians are the makers of politics who are supposed to apply the idea of justice. They are not makers of *the* justice. The origin of the idea of justice or justice itself is God. (Plato 1991, § 596-7.)

That Plato’s ideas and their physical shadows consist of different substances, is clarified with discussion on sicknesses, which Plato has in his *Republic*. Good character does not become less good by getting sick. Any vice or any virtue that a person might suffer from or enjoy having is left intact by physical evil. That is, what affects the body does not affect the mind. Any physical illness or injury cannot kill the spirit or soul. Hence, there are two substances, the substance of ideas and the substance of body. This is an affirmation of ontological dualism, which led Plato to believe in the immortality of the soul.<sup>11</sup> (Plato 1991, § 609-10.)

The main body of Plato’s political theory has survived over two millenniums in *The Republic* (c. 380 BC) and *The Laws* (c. 380 BC) (Morrow 1998, 23). Unlike Descartes, Plato's *Republic* aspired to display an ideal system of governance, where at each stage of the society, each person was assigned with a task that best would serve the ultimate ends of a society, and where the whole society was a system of truth. Truth for Plato was based on ideas and forms of eternal origin. The

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<sup>11</sup> Ideas are of eternal substance. The substance in humans which perceives them and becomes an image of them is also eternal. Thus, men are not only immortal but also eternal. The doctrine of reincarnation is asserted in *Phaedo* by Socrates. It might have been also Plato’s view. (Plato 1999, 53-6; Plato 1991, § 609-10.)

causes of all things in the natural world are to found in ideas, because these are undivided and full essence of all particular forms the ideas take in the natural world. (Plato 1991, § 471-80.)

This kind of ontological conceptualization means that the epistemology of social science is concerned with universally valid ideas and not the subjective desires of people or the means of providing free space for the realization of these desires. It also means that social science cannot be confined into the science of means, but must consist of, I interpret, two main areas. Firstly, there is the science of the ends, or the ideas. The best apt for studying the ends are the philosophers. The philosopher should be the king. Second area is that of arranging the means in accordance with the ends. Society becomes a centrally structured organization where everyone has their due place. In this context, the science of means would imply the science of each particular profession for fulfilling its duties and living up to its end. Following Plato's logic, there can be no science of means without knowing what ends the means are supposed to serve.

The dualistic ontology and the method to attain knowledge in Plato's and Descartes work are at present rejected. In *Analytical Philosophy and the History of Philosophy* (Cottingham 2005, 36), we read that Descartes' "*commitment to a theocentric world-view [...] sets him light-years apart from the concerns of most modern analytical philosophers*", and further that, Descartes is one of those writers who are "*referred to mainly as sources of deep illusion or fallacy*", the reason being their epistemological ideas (Sorell 2005, 2). I already mentioned Popper, who classified Plato's philosophy as inherently totalitarian.

According to Descartes, these interpretations are due to a philosophical failure. It is caused by not considering what the mind and what a person are in the proper order for doing that. Mind is to be separated from the body and thought from brains. (Descartes 1985, AT VIIIA § 9.) Thought and perception, we know today, are cerebral activities. Descartes' claim that mind is to be separated from the body is a philosophical claim rather than a mechanical claim. He insisted that we can reach conclusion about the reality without the help of our corporeal faculties, which instead of enlightening our mind tend to blur it. This philosophical claim confirmed for him that humans exist separately from the body, and that the true human is the soul. The mechanical part of thinking should be considered in this light. Soul is separate from the body, but living in it. The activities of the soul are reflected in the body, thoughts are reflected in brain activity, and generally, soul is living through the body. Distinction between soul (or mind) and body is referred to as Cartesian dualism (Shapiro 1981, 4).

If there is no way to explain the nature of eternity, and nature of perception, there is no way that we

in any way should reject modern ontology in favor of ontological dualism. Next section deals with these issues, this time relying on Emmanuel Swedenborg's work, mainly on his *Divine Love and Wisdom* ([1763], 2009a). The issues are eternity and perception.

### 2.3.2. Swedenborg

The two premises that seem to be common in the ontological dualism of Plato and Descartes are also the founding principles of Swedenborg's philosophy. These premises are the existence of God and the existence of two worlds, spiritual and natural. The spiritual world consists of the spiritual substance and the natural world consists of matter. According to Plato, the spiritual world is the world of ideas. The relation between the two is successive, which means that ideas exist in the world of ideas before they are made into particular forms in the physical world. Plato's ontological dualism defined his political theory. Ontological conceptualizations are the basis upon which even social sciences rely on.

Swedenborg was not a social scientist. He did not promote any specific form of government. But he was promoting principles. One of these principles is freedom, which, however, is conceived of in different manner than among the neoliberal intellectuals. The conceptualization of it follows from the analytical systematization of the two worlds and how these are related to the 'first cause' or God.

Swedenborg's argument for the existence of God and the analytical conceptualization of God as the 'first cause' includes the Cartesian arguments. God is the prime mover who has created everything and who continually reproduces everything. In Swedenborg's *Arcana Caelestia* (1992 [1749-1756], § 6040) we read:

Nothing comes into being by itself but from what is prior to itself, so that finally everything comes from Him who is First, that is, whose Being (Esse) and Manifestation (Existere) are uncreated. Everything is also kept in being by Him who is First, for the same applies to remaining in being as to coming into being, since remaining in being is constant coming into being.

And in *Divine Providence* (2009b [1764], § 3):

For maintenance is perpetual creation, as continuance is perpetual coming to be. Else it is quite as work ceases when you withdraw will from action, or as utterance fails when you remove thought from speech, or as motion ceases when you remove impetus; in a word, as an effect perishes when you remove the cause.

Neither Plato nor Descartes offered extensive analysis of the nature of the 'first cause'. Plato's theory of ideas and forms is one conceptualization that seeks to enlighten the difference in substance and the difference in the order of coming into being between the two worlds – world of ideas and world of the matter. Plato was not, however, able to form a specific idea on the relation between the ideas

and the maker of the ideas, nor concerning the substance of an idea. As for the order of coming into being between the two worlds, Plato's ontological dualism set the ideas at the primary place only to be preceded by God, the maker of the ideas.

Swedenborg is the only one of these three who is able to bring his intellectual mind close to the 'first cause' and by doing that *"has freed the majesty of God from the trappings in which other human dogmas have disguised Him"* like Balzac (2012, 67) wrote. This has been possible by way of separating material thoughts from spiritual thoughts. This means that instead of conceptualizing things in their relation to time and space, the method of 'spiritual thinking' is to employ thought without the chains of time and space. The key concept for doing that is the concept of love. In Swedenborg's system, love is the inmost essence of the 'first cause'. Love is also the key for conceptualizing the substance of the spiritual world. (Swedenborg 2009a, § 49-51.)

Being a concept apart from time and space, the concept of love has to do with eternity. It is not only an attribute to describe what is eternal. It is the essence of eternity. Swedenborg's argument is based on the analysis of the meaning of love as an active principle. It is the active principle of not only of each man, but also of the whole creation. As far as men are concerned, we read in *Divine Love and Wisdom* ([1763] 2009a) that love is the very life of men, *"not only the general life of his whole body, and the general life of all his thoughts, but also the life of all their particulars"*. Take love or affection away from an action, you have taken away the active principle of it. Thus, is it possible to imagine any kind of action without its love or affection? Swedenborg's formulates this question as follows: *"If you remove the affection which is from love, can you think of anything, or do anything?"* (2009a, § 1-2.)

The essence of the 'first cause' as a concept of analytical philosophy relies on the notion of love. From being the 'first cause' in a chain of causes, the definition of the 'first cause' as essentially consisting of 'Love itself' breaks the continuous chain of causes and effects. Defining the essence of the 'first cause' as love implies that we are speaking of a state of Being with absolutely no reference to ideas of sequence, time, space or anything that can be measured. Love is not only the essence of life of each man. In the purest form of Love Itself, love is the Being Itself, that is, Life Itself. In this sense, the idea of Love as being is above the chain of causes and effects.

This definition of the absolute Love as 'Life itself' denotes the highest form of Being. But to be complete, the idea of love needs to be combined with the idea of 'to love'. Namely, is it possible to conceptualize love as a stationary or inactive principle? Is not love always the love of something, the love of doing something? This connection between the Love as the 'Being Itself' with the active

form of 'to love' is the reason for defining love as an active principle. In this sense, the idea of Love becomes the first principle in the chain of causes and effects. (Swedenborg 2009a, § 14.)

The conceptualization of the 'first cause' as Love implies the condition and nature of 'Being Itself'. But the attribute of 'to love' implies the process of 'coming into being'. As far as the successive order of things is concerned, Love as 'Being Itself' is the highest and inmost essence of it. Love becomes the 'first cause' only secondarily after beginning 'to love'. In the context of the act of loving Swedenborg introduces the concept of understanding or wisdom as a key term for analytical philosophy. In *Divine Providence* (2009b [1764], § 3), Swedenborg defines the relation between the two concepts in the following manner: “*The will apart from understanding, cannot think anything, indeed cannot see, feel or say anything, so cannot do anything*”. Thus, love becomes active only in union with understanding. As far as the 'first cause' is concerned, understanding is 'Wisdom Itself'. It is the manifestation of Love. We read in *Divine Love and Wisdom* (2009a, § 14):

This the rational mind comprehends when it thinks whether there can possibly be any esse [being] which does not exist [take form], and whether there can possibly be existere except from esse. And since one is possible with the other, and not apart from the other, it follows that they are one, but one distinguishably. They are one distinguishably, like love and wisdom; in fact, love is esse, and wisdom is existere; for there can be no love except in wisdom, nor can there be any wisdom except from love; consequently when love is in wisdom, then it exists.

The definition of the 'first cause' and Love and Wisdom implies that the Divine Being is a Person. It also implies that religions, depicting God in a human form, do not seem to be wrong but instead have at least some knowledge of Him. It also implies that the substance of the spiritual world is defined *in relation* to Divine Love and Wisdom. Spiritual substance cannot be defined *as* Divine Love and Wisdom. Neither can any part of the creation be defined as direct part of God. If there was no difference between the spiritual substance and the Divine substance, the only existing substance would be Divine Love and Wisdom. An active principle is not active without acting upon something; love is not loving without an object of love. At the same time, if Divine Love is 'Life Itself', life in all other things must be life received from Him. These considerations clarify the conceptual difference between 'Life Itself' and 'life'. The latter stand for a receiving substance. Reception of Divinity is common for both the material and spiritual substances. The difference is that spiritual substances are living forms of life and material substances are dead. To be a living form of life means to be able to receive Divine Love and Wisdom in will and understanding. Swedenborg writes (2009a, § 5):

But that this may reach the understanding, it must be known positively that the Lord,

because he is love in its very essence, that is, Divine love, appears before the angels in heaven as a sun, and that from that sun heat and light go forth; the heat which goes forth therefrom being in its essence love, and the light which goes forth therefrom being in its essence wisdom; and that so far as the angels are recipients of that spiritual heat and of that spiritual light, they are loves and wisdoms; not loves and wisdoms from themselves, but from the Lord. That spiritual heat and that spiritual light not only flow into angels and affect them, but they also flow into men and affect them just to the extent that they become recipients; and they become recipients in the measure of their love to the Lord and love towards the neighbor. That sun itself, that is, the Divine love, by its heat and its light, cannot create anyone immediately from itself; for one so created would be love in its essence, which love is the Lord himself; but it can create from substances and matters so formed as to be capable of receiving the very heat and the very light; comparatively as the sun of the world cannot by its heat and light produce germinations on the earth immediately, but only out of earthy matters in which it can be present by its heat and light, and cause vegetation.

Thus spiritual substance is defined in relation to Divine Love and Wisdom. According to Swedenborg, this means that *“Everything spiritual has relation to good and truth, and can spring from no other source than Divine love and Divine wisdom; for all good is of love and all truth is of wisdom.”* Hence, the spiritual world is the world of living substances, capable of receiving good and truth from the Lord. All men have this capacity in their will and understanding, and thus, all men are spiritual substances as far as their souls are concerned. (Swedenborg 2009a, § 84.)

Dead matter is 'dead', because it is furthest away from the Lord. Matter cannot form any idea about good and truth, because it has not the faculties required for that. But the role of matter in creation is nevertheless of highest importance for the creation. It lies in the nature of God to Love, which means that He is constantly striving for creation of new objects to be loved. It is difficult for anybody in their right mind to love stones, and in assuming that God is in His right mind we should be able to say that God cannot love dead matter. But He can love humans. In Swedenborg's thought the purpose of Life is Love, and this highest principle of the existence takes form in the proliferation and procreation of physical forms of life. It appears as no coincidence that there was a Big Bang, that galaxies were born, that planetary systems were created, and that in some planets vegetation evolved, after vegetation evolved animals, and lastly humans, who of all the creation could see the systematicity in it, and feel awe. According to Swedenborg, the purpose of dead matter is to create living substances, humans, who can be joined to God with the bonds of mutual love. (Swedenborg 2009a, § 171, 267, 283.)

The relation between the 'first cause', the spiritual world and the natural world is by Swedenborg explained with what he calls the doctrine of degrees and the science of correspondences. I have already commented on the leading idea of this doctrine. It is the idea of substances. Doctrine of degrees is based on the existence of different substances that in different degree are receptors of the

Life from the Lord. Thus, the whole world is a system of Divine Outflow. At the center there is God, after it the spiritual world and at the outmost parts the dead matter, where birth of receiving substances takes place. This means that the Divine essence of Love and Wisdom is present at each degree in accordance with the nature of receiving substance. In the natural world there is nothing of spiritual substance left, but the aspiration to life and the logic are still present. For this reason, the natural sciences could be called sciences of the Divine Order at the outmost degree.

Swedenborgian conceptualization of freedom is linked with love. According to Swedenborg, there can be no love in coercion, and no conjunction without love. This means that in order for men to be united with God by the bonds of mutual love, they must be able to choose just that. Without the freedom to choose men would be like animals, who follow their inherited instincts and follow the laws of nature. But to follow the laws of nature in the sense of being bound by them implies the inability to love and understand Divine goods and truths. For this reason men have the two faculties of will and understanding to be used in freedom. Freedom in this sense is a Divine principle.

Freedom in itself and as such, however, is not a Divine principle. Freedom is a means to an end, rather than an end in itself. Theories of human action which are based on freedom to choose as a principle and value in itself go wrong by not distinguishing good choices from bad choices. Freedom is not valuable as a means of any choice whatsoever, because all choices are not good. Freedom is valuable exclusively as the means of conjunction between men and the Lord. In this sense, it appears, God has some inclination to theocratic forms of government. Namely, as much as the nature aspires for procreation and proliferation of life, as much should human societies strive for life in good and truth. Thus, the principle of freedom applies in the context of the divine system of love. Any system based on egoism or love of the world is contrary to the essence of freedom and to purpose of whole creation. Swedenborg writes (2009a, § 267):

A bad man abuses these capacities to confirm evils and falsities, but a good man uses them to confirm goods and truths. From the intellectual capacity called rationality, and from the voluntary capacity called freedom, man derives the ability to confirm whatever he wishes; for the natural man is able to raise his understanding into higher light to any extent he desires; but one who is in evils and in falsities therefrom raises it no higher than into the upper regions of his natural mind, and rarely as far as the border of the spiritual mind; for the reason that he is in the delights of the love of his natural mind, and when he raises the understanding above that mind, the delight of his love perishes; and if it is raised still higher, and sees truths which are opposed to the delights of his life or to the principles of his self-intelligence, he either falsifies those truths or passes them by and contemptuously leaves them behind, or retains them in the memory as means to serve his life's love, or the pride of his self-intelligence.



## 2.4. Conclusion

Neoliberal epistemology accepts only observable facts as the basis for science of human action. According to Ludwig von Mises, “*there is no such thing as a normative science,*” because the regularities of nature do not apply on humans. Mises writes that “*the distinctive mark of what we call the human sphere or history or, better, the realm of human action is the absence of such a universally prevailing regularity*”. The neoliberal conclusion concerning the epistemology of human action is the rejection of the idea of absolute values and norms. It follows that an individual is the highest authority in deciding what is good for him or her. This can be done only in the condition of freedom. This implies freedom to choose in the absence of coercion. (Mises 1957, 4, 24, 36, 55; Hayek 2006, 19; Friedman 1979.)

Neoliberal epistemological system defines the question of the 'first cause' as non-essential. In fact, all systems of thought where the course of history is determined by the actions and by the will of a 'prime mover', be it the material productive forces of Marxism, the Geist of Hegel, or God, are seen as attempts of imposing coercive norms upon the rest of society (Mises 1957, 184; Hayek 2006, 64-5). This stand seems to have many antecedents in the history of religions. By defining some doctrines as matter of faith religious people are freed from the intellectual responsibility of considering whether their doctrine is true or not. And by declaring some beliefs as heretical, religions effectively protect their position against competition. In similar manner, by excluding the search of the causes of existence, the reasons for regularities in nature, and the reasons for lack of corresponding regularities in human conduct, the neoliberal epistemology has conveniently defined these issues as not part of any scientific cognitive system. Any attempt at constructing a system based on norms is deemed, not a heresy, but a totalitarian project.

It appears that Swedenborgian cognitive system is much more coherent and inclusive. It accounts for the concept of 'first cause', for the existence of nature, for the concept of eternity, for the regularities in nature, and for the irregularities in human action. This systematicity of Swedenborg's philosophy seem to be without counterpart among the neoliberal theories. Let me now outline the defining features of this system.

Swedenborg's system is based on the existence of Divine Love and Wisdom as the Being Itself and the Creator. This is the first principle. Second principle concerns the creation. The whole universe exists in order to create receptive forms of Life, i.e., of Divine Love and Wisdom. The aspiration in nature for proliferation and procreation of life is the outward manifestation of Divine Love which is Life Itself. The regularities in nature are manifestations of Divine Wisdom. The irregularities of

human conduct are manifestations of the irregularities of human will, bound by its tendency to love one-self and bodily pleasures more than good and truth. At the same time, freedom of will liberates men from being slaves to their instincts and gives us the ability of becoming receptive forms of good and truth. Freedom of will from this perspective is the highest gift of humanity.

The third principle is freedom. Freedom relies on the two faculties of will and understanding. Conceptualization of freedom from the Swedenborgian perspective relies on the nature of the universal system as a process of endless of creation of life caused by Divine Love. Accordingly, the normative framework of defining freedom is set by the necessities and requirements of love. Freedom, then, is to be bound by this principle. The neoliberal interpretation that imposition of social norms is always a totalitarian project seems to be in accordance with the Swedenborgian systematization. Namely, what else is God in this system as the most totalitarian of all totalitarian rulers? Is not the whole structure of the existence a mere manifestation of the will of one single Supreme Being? And are not the human faculties merely another means of subjecting men to the bonds of Love that emanate from the Lord and chain everyone who so does let happen?

The conceptualization of freedom within the context of love is prevalent in most religions in the form of commandments and principles. In Quran we read the following (sura XCII 1-11):

By the night as it conceals the light; by the day as it appears in glory; by the mystery of the creation of male and female; - verily, the ends ye strive for are diverse. So he who gives in charity and fears God, and in all sincerity testifies to the best, - we will indeed make smooth for him the path to bliss. But he who is a greedy miser and thinks himself self-sufficient, and gives the lie to the best, - we will indeed make smooth for him the path to misery; nor will his wealth profit him when he falls headlong into the pit.

More specific norms are found in sura XVII 22-39, which has more or less same content as the Ten Commandments (Exodus 20) in the holy book of both Jews and Christians. Further, in the New Testament (Matthew 22: 35-40), we read:

Then one of them, [which was] a lawyer, asked [him a question,] tempting him, and saying, Master, which [is] the great commandment in the law? Jesus said unto him, Thou shalt love the Lord thy God with all thy heart, and with all thy soul, and with all thy mind. This is the first and great commandment. And the second [is] like unto it, Thou shalt love thy neighbour as thyself. On these two commandments hang all the law and the prophets.

Thus, the norms that should guide the freedom of people are found in love towards God and neighbor as opposed to love of one-self and love of the world. According to Swedenborg (1961, § 17) this is the significance of the first commandment in the Exodus (20: 2-7). While I do accept the classification of the Swedenborgian normative principles of love as totalitarian, and while I do accept the classification of Swedenborg's 'theocracy' as a strictly totalitarian system of Divine Love

and Wisdom, I cannot accept the classification of these forms of totalitarianism as contradictory to individual liberty. It may seem a paradox. But seen from the Swedenborgian perspective, what appears as a paradox is the neoliberal conceptualization of freedom, which breaks men free from the system of regularities and love that is reason for the existence of freedom in the place.

The problem with neoliberalism and freedom has been questioned not only from the perspective of conceptual analysis but also from the perspective of empirical research. The lack of independence in individual economic activity and the relations of dependency for sustenance on Multinational Corporations, have deprived the majorities of the world their freedom to decide and choose for themselves outside the system of neoliberal international political economy and outside the discourses of economic efficiency, economic progress and the culture-ideology of consumerism. (Wallerstein 1983; George 1995; Sklair 2002; Chossudovsky 2003; Harvey 2007; Carroll 2010; Gill 2011).

From the Swedenborgian perspective the reason for considering the neoliberal conceptualization of freedom a paradox follows from the nature of the universal system. On the outmost level this system is based on the proliferation and procreation of life, which is the outmost manifestation of Divine Love and Wisdom. Anything that sustains and improves forms of life follows the order of nature. Freedom is the necessary means in this process of evolution, because it allows for the ability of nature to multiply the possibilities of new life forms. In the Swedenborgian system the Divine Love is an infinite source of different life forms, and thus, evolution can go on limited only by the limits of space and time. This is another form of totalitarian conceptualization of the framework of freedom. But it is not totalitarian in relation to life. Freedom from the Swedenborgian perspective is freedom in life, for life, and in love. Within these frames freedom becomes the principle of creation with infinite possibilities. The neoliberal conceptualization of freedom, on the contrary, sets self-love as an equal with love of life, life of one-self *as much* as love of others, and love of nature.

By not providing any principles but the principle of liberty for making choices, neoliberal epistemology invites the Dark Lord, if you excuse this metaphor, to the system of social organization. Namely, some choices are evil and a system based on self-interest, is evil *per se*. Susan George (1995) and Oswaldo de Rivero (2010) have written about environmental and social problems which are directly caused by the neoliberal capitalist system – because of the free rains it gives for large economic actors. In analyzing and evaluating this kind of situations – situations of asymmetric power relations, the Smithian perspective will prove itself useful. Development of the Smithian perspective is the task in the next chapter.

In conclusion, the Swedenborgian perspective is that of a theocentric cognitive systematization according to the philosophy of Emanuel Swedenborg. It includes the following principles:

1. Divine Love and Wisdom as the Being Itself and the Creator.
2. Second principle concerns the creation. The whole universe exists in order to create receptive forms of Life, i.e., of Divine Love and Wisdom. The principle of freedom within the confines of love.
3. The evaluation of 'neoliberal civilization' from this perspective is about how 'neoliberal civilization' relates to the conceptualization of freedom within the framework of the universal system of love.

The evaluation of 'neoliberal civilization' from this perspective is about how 'neoliberal civilization' relates to the conceptualization of freedom within the framework of the universal system of love.

### 3. SMITHIAN PERSPECTIVE

#### 3.1. Liberalism

The task in this chapter is the development of an analytical perspective for evaluation of neoliberal civilization. This is an approach which, combined with the Swedenborgian perspective developed in the previous chapter, will serve as a means for taking distance from the representations of neoliberalism as desirable and necessary ingredient of international political economy which by Gill (1995, 399) was described as the ‘myth of capitalist progress’.

I will begin with the conceptual history in order to understand the background of classical liberal tradition. I will then provide an interpretation of Adam Smith’s conceptualization of free markets, liberty and private property. These are embedded in Smith’s idea of a ‘system of natural liberty’. In this manner I will develop the analytical perspective that I have labeled the Smithian perspective. In the concluding section I will be able to make an interpretation on the relation between capitalism and progress. Namely, what is civilization, if not a process progress? That civilization as a concept refers to progress, will be treated in the chapter five (however, see Febvre 2009, 114; Hayek 2006, 37). Also, I will be able to formulate the basis for the principle of interdependence that seems to be a central normative principle which can be derived from Smith’s conceptualizations on morality and political economy. Smith’s *Theory of Moral Sentiments* (2006 [1759]) is important for understanding his political economy.

In *Encyclopedia of World Politics*, liberalism was defined as a “*political philosophy, standing for the freedom of the individual, democratic institutions and free enterprise*” (Theimer 1950, 263.) In *Encyclopedia Britannica* (2012), liberalism is defined as “*political doctrine that takes protecting and enhancing the freedom of the individual to be the central problem of politics*”. Both political liberalism and the doctrine of free trade are included. Today however, they are not necessarily together. In wider sense, claims Theimer, liberalism adheres to political and personal liberties no matter what the economic system is like. Liberal democracy, for example, is a term used for a variety of economic models, including the welfare state model with strong state and corporatism between state and the labor market organizations (see Elder et. al. 1982, 159). In a more strict sense liberalism refers to capitalist economy with political liberties, a system, which today bears the rather critical label of neoliberalism (see Plehwe et. al. 2006). (Theimer 1950, 264.)

Politically, liberalism began to gain influence during the 16th century. In *Encyclopedia Britannica* we read that liberalism was a political reaction against the conflicting interests between the rising

middle class on the one hand, and on the other hand the predominant political idea of mercantilism, which granted privileges for established merchants and inhibited the possibilities of trade for their competitors. Conflict was grave indeed, providing the main rationale for England's civil wars (1642–51), the Glorious Revolution (1688), the American Revolution (1775–83), and the French Revolution (1789). Revolutions did not however produce a break in the mercantilist thought. Revolutions changed the political system, but protection of domestic economy against the merchants from abroad was left to predominate the economic thinking. (Encyclopedia Britannica, 2012.)

Economic liberalism was based on the notion of individual liberalism and free trade. In Theimer's *Encyclopedia* free trade is defined as: "*The system of unlimited international commerce without protective tariff or other discrimination against foreign goods in favour of domestic products*" (Theimer 1950, 175). A society, where people were not allowed to pursue their interests in economy, could by definition of individuality and liberalism not be a free society and fulfil the premises of political liberalism. Economic liberalization came rather late however, and its implantation was not thorough or long lasting. In England, free trade came to dominate the economic thinking commencing slowly in the late 18th century. Both Theimer's *Encyclopedia* and the *Economic History of the World* by Cameron point out the repeal of the British Corn Law as the decisive moment. According to Cameron, it was influenced by the Great Famine of the early 19th century. Corn Law was repealed in 1846, and when in 1851, Napoleon III usurped the French throne, he started negotiating of free trade with England. It was signed in 1861. Liberalizations followed in all over the Europe. Between 1840s and 1873 the international trade grew with 6 percentages annually, over five times as fast as population and three times faster than production. (Cameron 1995; 311-317; Theimer 1950, 175.)

The Great Depression of 1873 put an end to this trend. Panic that began in the stock exchange in Wien and New York spread quickly to the rest of the industrialized countries and free trade was blamed. In 1879 Bismarck repealed the Germany's agreements and enacted new law on tariffs and customs. This was the beginning of new wave of protectionism with Germany and United States as the leading powers. (Cameron 1995; 319-321; Theimer 1950, 175.) In *Road to Serfdom*, Hayek recounts what the socialist contemporaries of Bismarck thought about his decision. 1879 law was praised as a move towards socialist type of economic administration, a step not only for the Germans but for whole world to show that it must the state that rules trade and not trade that rules the state. Thus, Hayek quotes from Oswald Spengler, "*Prussianism and Socialism combat the*

*English in our midst.*” (Hayek 1956, 175-180.)

New phase of liberalism started again after the WWII, this time lead by United States. (Theimer 1950, 175.) In 1947, US sponsored conference in Geneva saw the creation of International Trade Organization (ITO) and GATT, General Agreement on Tariffs and Trade, signed by 23 contracting parties from all continents of the world (WTOc, 2012). The dawn of a new era is expressed in the forewords of the agreement:

Recognizing that their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods,

Being desirous of contributing to these objectives by entering into reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international commerce... (WTOc, 2012.)

ITO failed to get US congress approval. GATT and the Bretton Woods institutions, outlined by the 44 states allied in fight against totalitarianism, became the characteristic feature of international economy. The theoretical foundation was in classical liberalism and principle was free trade, with as few barriers of trade as possible, but also with influence from the British economics John Maynard Keynes. The contribution of Keynes to the free trade tradition consisted of acknowledging the role of state in easing the boom and boost nature of economy. (Kegley & Wittkopf 2001, 248.)

Keynesian macroeconomics is now part of the main stream economics (see Begg 2005), although its effect was never highly significant on international trade: there has not existed any authority capable of directing the financial and economic policies of the world. International regime after WWII was called Liberal International Economic Order (Kegley & Wittkopf 2001, 160). It soon was to be encountered with the New International Economic Order emerging from newly industrialized countries of the global South accompanied with various processes of regional integration and heavy criticism of the Western dominance in the Bretton Woods and GATT. (Shapiro & Hart 1997, 6, 177, 178.) Despite all that, since 1970s the liberalist trend has been dominating the actual form of international trade with lesser and lesser barriers, with liberalization of international financial markets and today with attempts of deepen the markets within the framework of WTO, EU and transatlantic economic area (Chossudovsky 2010; Patomäki 2012a; Stiglitz 2010; TABD 2012). That the now ongoing phase of liberalism is a continuation from the old is denoted with the use the prefix 'neo' in-front of the root word – hence neoliberalism.

## 3.2. On Conceptual History

### 3.2.1. Early Enlightenment

In *Leviathan*, published in 1651, Hobbes argues, that all men are born with natural rights. He makes this conclusion by discussing the small differences between people: there is virtually no one capable of subduing others on his own. The greater strength of others is balanced by the greater wits of others, and the power of a group easily counterweights both the strongest and smartest individuals. Hobbes' account manifests the emergence of liberal tradition in political thought during the early Enlightenment (see Held 1987, 41, 42). It is an early example of how the innate natural rights of all humans came to repudiate the teleological world view that Dr. Pangloss so eagerly professed in Voltaire's satire hundred years later (Voltaire 1997).

Neither Hobbes nor Voltaire believed that rulers had a divine authority to rule, and that the organized social life should be based on this pretense. Hobbes asked: if an authority has been commanded to rule over other men, if the authority is thus based on a supernatural law, how can the subject, without himself receiving a supernatural revelation, be assured that the rule is truly based on a divine law? To this question, the answer ought to be obvious. Instead of an absolutist government, and tyranny of a few, imposed on many by a divine authority, civil laws should guarantee each person his natural rights, that is, the right to decide what is best for him and to do whatever he feels fit to achieve his goals. A system of natural law is based on this idea, argued Hobbes. It means that each and every one guarantees for others the same rights of liberty as they themselves are in possession of. Without this kind of contract, a natural condition would arise, in which cooperation, safety and progress would become virtually impossible. (Hobbes 1651, I.xiii, 76; I.xiv, 79-80; II.xxvi, 175-176; see also Theimer 1950, 263; Held 1987, 41-2, 48-51.) In *Leviathan*, Hobbes (I.xiv, 80) writes:

From this fundamental law of nature, by which men are commanded to endeavour peace, is derived this second law: that a man be willing, when others are so too, as far forth as for peace and defence of himself he shall think it necessary, to lay down this right to all things; and be contented with so much liberty against other men as he would allow other men against himself. For as long as every man holdeth this right, of doing anything he liketh; so long are all men in the condition of war.

In the state of nature, men are equal: the differences between individuals do not generally matter in that condition. If men are equal in the state of nature, they should be equal in society<sup>12</sup>. If the

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<sup>12</sup> Hence, political equality is an ideal and a goal for democracy, claims Robert Dahl (2006, 6) in his *On Political Equality*



opposite is true, the fault lies in the civil laws, which have not been erected in accordance with the natural laws to which they should correspond. This leads to a conclusion concerning equal distribution (Hobbes 1651, I.xv, 94, 95.):

And from this followeth another law: that such things as cannot be divided be enjoyed in common, if it can be; and if the quantity of the thing permit, without stint; otherwise proportionably to the number of them that have right. For otherwise the distribution is unequal, and contrary to equity.

Unlike Hobbes, John Locke is sometimes accredited with the title of founding father of liberalism. Locke's political ideas had considerable influence on the English and American thinking after the Glorious Revolution and the declaration of independence. (Encyclopedia Britannica 2012.) The political philosophy of both Locke and Hobbes was based on the situation of human life in its natural condition, which they perhaps thought was alike the primitive state of human existence, or which perhaps may have been a theoretical argument. With the background of dark ages and Medieval Europe, the former option is not very unthinkable.

In the second essay of his *Two Treatises of Government*, published in 1689 38 years after *Leviathan*, Locke describes the laws of nature concerning property. First of all, nature is given by God to men for their subsistence. And it is given them in common. How then could there ever have existed parts of that common heritage in private possession? Locke's answer is, by labor. The common property becomes individual the moment we reap of its fruits for our nourishment. Thus, the first law of nature is: common Nature becomes private property by labor. (Locke 1823, 2: IV, §24, 27-29.) The second law sets a limit (Locke 1823, 2: IV, §30):

As much as any one can make use of to any advantage of life before it spoils, so much he may by his labour fix a property in. Whatever is beyond this is more than his share, and belongs to others.

Hayek classifies Hobbes among the leading figures of what was to become the French rationalist tradition of Enlightenment alongside with Montesquieu, Benjamin Constant, Alexis de Tocqueville and after the French revolution Godwin, Priestley, Price, and Paine. French Enlightenment was characterized by rational organization of politics, whereas freedom and spontaneity in the absence of coercion feature the main qualities of what was to be known as the British tradition. (Hayek 2006, 50, 51.) However, in this interpretation Hayek seems to be making a mistake. That mistake consists of imposing on Hobbes the references and contexts made by later writers, of which Hobbes cannot have known anything about. Hobbes did not know anything about the French Enlightenment, this much we can safely assume. (See Skinner 2002, 61, 62.)

Hobbes and Locke wrote against forms of absolutist government in the context of their own time. In that context, individual liberty was enjoyed mostly by the princes and the aristocracy, whereas majority of people, the rural population, depended on their land lords and church. Until the Black Death three hundred centuries earlier, the peasants of Western Europe were living in conditions of serfdom, which condition persisted in the Eastern Europe until the latter half of the 19th century.

The development of the early ideas of natural rights into the modern concepts of individualism and liberalism, theories of social contract and equality came later. In some form the heritage of Enlightenment seems to live on in all subsequent theorizations of political philosophy. Freedom from something, be it from a form of governmental tyranny or the tyranny of money, is present in Mill's, Rousseaus', Marx', Hayek's, Friedman's and Wallerstein's work. Hardly anyone questions the value of freedom, but most of us think of it from a particular perspective, depending our own references.

Even graver seems Hayek's mistake on Descartes, whom he classifies as “*the fountainhead of the rationalist tradition*”. In Hayek's interpretation, Cartesian rationalism for political organization assumed “*an independently and antecedently existing human reason that invented these institutions*”. As an example he quotes from Descartes' *Discourse on the Method* a sentence about the greatness of Sparta, which “*was due not the the pre-eminence of each of its laws in particular ... but to the circumstance that, originated by a single individual, they all tended to a single end*”. (Heyek 2006, 52, 376.) The error in here does not appear to be one of innocent misinterpretation.

Let me quote from Descartes (1985, AT VI § 12):

Again, I thought, peoples who have grown gradually from a half-savage to a civilized state, and have made their laws only in so far as they were forced to by the inconveniences of crimes and quarrels, could not be so well governed as those who from the beginning of their society have observed the basic laws laid down by some wise law-giver. Similarly, it is quite certain that the constitution of the true religion, whose articles have been made by God alone, must in incomparably better ordered than all the others. And to speak of human affairs, I believe that if Sparta was at one time very flourishing, this was not because each of its laws in particular was good (seeing that some were very strange and even contrary to good morals), but because they were devised by a single man and hence all tended to the same end.

Descartes was talking about how to get rid of intellectual fallacies. The example of Spartan laws is meant to show, that any system is better off if consistent and concordant, instead of inconsistent and discordant. For any system of knowledge, consistency is a prerequisite, not an error (see Rescher 1979, 17-26). That Descartes had no plans for getting rid of laws and planning them fully anew, becomes clear a few sentences after the above, when he writes: “*This example convinced me that it*

would be unreasonable for an individual to plan to reform a state by changing it from the foundations up and overturning it in order to set it up again” (Descartes 1985, AT VI § 13). To further clarify Hayek's mistake, we can turn into Descartes' *Principles of Human Knowledge* (1985, AT VIIA § 5), where the method of doubting is discussed. Seeker of truth should doubt everything that seems uncertain, but “*this doubt should not be applied to ordinary life*”.

The subject matter in *Discourse on the Method* is the method of attaining truth, not to force individual ideas about good and truth upon the rest of the society, like Hayek seemed to think. Descartes makes a distinction between what is speculative from the part of a philosopher, and what each man knows of those things that concern himself: “*For it seemed to me that much more truth could be found in the reasoning which a man makes concerning matters that concern him than in those which some scholar makes in his study about speculative matters.*” (Descartes 1985, AT VI § 9.) It appears rather clear that Descartes was working on epistemology, not on planning to deprive men of their liberty. Further, the latter quote resembles Hayek's own thinking, and the main idea of the liberal tradition: that each individual is the best judge for his own affairs.

As a consequence, Hayek seems to have taken one passage from one translation out of its context to make his judgment on Cartesian rationalism. Moreover, he refers only to this one sentence, out of its context, which does not qualify for good scientific conduct. In this same context, Hayek refers to theory of social contract, which again has nothing to do with Descartes, but with Rousseau, writing more than one century later.

It appears problematic to label neither Hobbes nor Descartes as proponent of the French tradition, as much as it is problematic to consider Locke as one of the forerunners of British tradition. For example, Locke's ideas about value (after him labeled as the labor theory of value) have influenced Adam Smith, David Ricardo and Karl Marx (Encyclopedia Britannica 2012). Instead of classifying and interpreting Descartes, Hobbes, Locke or any other early Enlightenment theorist with modern ideas, we should try to understand their message with their own arguments (see Skinner 2002). Namely, how can we increase our understanding of liberalism by reading Hobbes and Locke, if we only use them to validate our own ideas, and show little respect for the arguments and meanings that they themselves held on to.

There is neither justification for falsification, misinterpretation nor any other method of validation or refute of modern ideas with the *authority* of classical texts. The ideas and theories of classical authorities can of course be used *in their own right*. As for reading classical texts, not all interpretations need to seek for an accurate description of what the authority was supposedly doing

in writing as he did, like Skinner's method would suggest (Skinner 2002, 3). While an historian strives to be faithful with the past, a political theorist is responsible for the modern reader and the objectives of modern society. The focus is shifted from the historical contexts and purposes of the classical texts to the issues that are relevant today. Classical theories can be used to analyze, understand and interpret modern ideas. (Philp 2008, 139, 144-7.)

It seems that the ideas by Hobbes and Locke were groundbreaking indeed, as so much research has been done on the foundations laid by them (but not only by them). The ideas of what came to be called the Scottish Enlightenment or British tradition of liberalism, is only one of the offshoots. The French tradition was another.

Jean-Jacques Rousseau is an important figure among this tradition. Instead of developing the ideas of freedom Rousseau developed the ideas of equality. People are born “*free and equal*”, we read in Rousseau's *On the Social Contract*, published in 1762. However, equality is not the natural condition of men, because in the state of nature the most powerful can subjugate the less powerful, and because people are not good enough to refrain from doing that. But it has nothing to do with what is right, because in that situation right is dependent on force. (Rousseau 1997, I.ii, I.iii, 39-41.) People who submit themselves to obedience and slavery are acting against their very human nature (ibid. I.iv, 41):

Such a renunciation is incompatible with man's nature; to remove all liberty from his will is to remove all morality from his acts. Finally, it is an empty and contradictory convention that sets up, on the one side, absolute authority, and, on the other, unlimited obedience.

Natural inequality is done away with a social contract. It implies that men relinquish their natural liberty to aspire for any goal of their liking most notably from the possibility of exercising the capacities to subdue others. In social contract the use of superior strength and mind cannot be used for attainment of particular interests. Nevertheless, strength and intelligence remain, but in this new situation, they are used constructively for the benefit the general good of society. Instead of possession by force, social contract grants the right of property by law and consent. Like Locke in his *Two Treaties*, so does Rousseau set a limit: in a good society, property is what man has attained by his own labor for his own subsistence? Large differences between the lowest and highest social strata are signs of poor governance. In a good society, by contrast, everybody has something and nobody has too much. (Rousseau 1997, I.vii, I.viii, 59; I.ix, 61, 63-64.)

During the early Enlightenment natural rights and equality were both highly estimated. Rousseau is an example of tradition that was more concerned with equality and government than the tradition

emerging on the other side of the canal, where individual liberty was held in higher esteem. What in the writings of Hobbes and Locke seem to be confined into the idea of natural rights, had one century later given rise to various theories. The question arose: what is preferable, more equality and less freedom, or vice versa, and further, how to create the good society according to some compromise between these values – with less individual freedom, or with more. Nietzsche illustrates in *Expeditions of an Untimely Man* (1889, 48) the ferocity between different ideas and ideologies:

The bloody farce which became an aspect of the Revolution, its "immorality," is of little concern to me: what I hate is its Rousseauan morality — the so-called "truths" of the Revolution through which it still works and attracts everything shallow and mediocre. The doctrine of equality! There is no more poisonous poison anywhere: for it seems to be preached by justice itself, whereas it really is the termination of justice.

After this example of another offshoot of the trunk of individualism and origins of liberalism, there is no need to continue with other major theories, like Hegel's *Philosophy of Right* or Karl Marx's *Capital*. Before beginning with political economy of classical liberalism and Adam Smith, a final comment on the historical context of individualism is in order.

Individualism of the 17th century was different from that we know today, because the social world affecting an individual was strikingly different. It was perhaps mostly directed against the centuries old system of control over ideas and affairs by very few on the top of social strata. As for ideas - people were rather discouraged from individual thinking. They neither had any resources to go to school, to learn to read, nor were many things of importance, religion and politics, open for discussion. The rise of humanism, Protestantism, concepts of political liberty, free trade and so on appear as reactions against different forms of coercion from the background of the social reality of those times. This is useful to bear in mind when reading old texts, otherwise it may happen that we interpret words too much with our own reference. The word 'church', for example, has very different contents today than thousand years ago during the crusades. So do the words freedom and free trade.

### **3.2.2. Free Market Tradition**

Adam Smith is a representative case of those who began to develop the theory of economic liberalism from the early notions liberty. Smith's major work, *Wealth of Nations* (1776) is entirely concerned with issues of political economy. England had already experienced significant changes in

the political atmosphere, but in business, the mercantilist<sup>13</sup> doctrine prevailed. Smith's treatise came as an attack against these ideas. Much like Marx, Smith never wrote a text book of economics, he wrote a critique and outline for alternative thinking arguing for the case of free trade and economic liberalism. (See Kegley & Wittkopf 2001, 252-3.)

Smith's own contribution to economic thought has been questioned, and there are many interpretations of what he actually did say (see Rothbard 1995; Rothschild 2001). Mostly, however, Smith is appraised for his work, and sometimes given the title of founding father of modern economics. The idea of absolute advantage was presented in *Wealth of Nations* as a major rationale for trade liberalization. This and other arguments in favor of free trade are considered the most persuasive ones, even if not first<sup>14</sup> to be presented by 18th century attacks on mercantilism. Another prominent name is David Ricardo. Ricardo, writing in the beginning of the 19th century, gave free trade another argument: the comparative advantage. (Cameron 1995, 314.)

In his *On the Principles of Political Economy and Taxation* ([1817], 2001), Ricardo explained the benefits of foreign trade even in cases where the advantages were only relative. Term 'comparative advantage' was coined only later, but Ricardo was the first to lay out the principle. His example included England and Portugal, who both produce wine and cloths, although in England the production of wine is laborious. Buying wine from Portugal, England can spare work from the comparatively less effective wine production and increased efficiency is in benefit for all: capital and labor are freed to pursue other objects. (Ricardo 2001, 87-89.)

Ideas of absolute advantage and comparative advantage were forceful reasons against the mercantilist doctrine. Trade liberalization was presented as an efficient use of nations wealth and labor force, and a necessary condition for the well-being of poor when bad harvest struck the nation's food-supply. Benefits of free trade were not only confined to availability of more commodities and agricultural products, by division of labor it increased the efficiency and the total output of an economy, thus making it possible to purchase more of commodities from other countries. (Kegley & Wittkopf 2001, 250-1; Cameron 1995, 314.)

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<sup>13</sup> "A popular theory in the 17th century preaching that trading states should increase their wealth and power by expanding exports and protecting their domestic economy from imports" (Kegley & Wittkopf 2001, 248).

<sup>14</sup> In Finland, Anders Chydenius presented his book on free trade eleven years before Smith: "Thus the wealth of a Nation consists in the multitude of products or, rather, in their value; but the multitude of products depends on two chief causes, namely, the number of workmen and their diligence. Nature will produce both, when she is left untrammelled ... If either is lacking, the fault should be sought in the laws of the Nation, hardly, however, in any want of laws, but in the impediments that are put in the way of Nature." Written for the Stockholm Diet in Swedish, Chydenius' book shows, that ideas of economic liberalism has followed the political thought, like theories of equality and social contract had done, and that the spread of these ideas was relatively extended. (Acton Institute 2012.)

Smith was writing before the actual policy implications of free trade. Free trade was yet to come, but trading had been around since in-memorable times. We know little about the earliest traders, because, I assume, the need of barter dates back long before the birth of first civilizations, and the history of our Homo species is estimated to have begun two million years ago (see Tassier et al. 2000, 105).

In the earliest societies, the size of a group of humans was small, and was kept so for thousands of years during the spread of these first groups all over the world. The available commodities were limited to the fruits of nature and simple artifacts. With increase in of population, with the fixed settlements and agriculture, and with development of new and more efficient techniques, the number of person needed for the most basic human needs, food and shelter, grew less in number. Along with this process, the first civilization slowly began to emerge. And this coincided with governance. The Mesopotamian city-states, for example, were ruled by a class of priests, who watched over the farmers and agriculture (see McNeill & McNeill 2003).

According to Smith, the principal reason for the birth of commerce was the inclination of men to cooperate and barter (Smith 2005, I.ii, 18). Even though my task is not to inquire into the origins of trade, I would like to raise the question: whether the early economic relations between groups of people and within a group were based on common good, or individual and group-based benefit? If the answer would be the former, we are faced with two options. Firstly, common good may have been defined in relation to afterlife. In consequence, trade, specialization and economy cannot have had as its goal an increase in material comfort, especially not in warm climates. Rather, it depended on the provision of subsistence.

Secondly, if common good was defined in material terms, it soon should have enabled the birth of evil, namely, the ideas of possession and domination. With the increase of numbers and economic output, those supervising and controlling the use of resources may, in a matter of decades or centuries, have followed the same law that Robert Michels called the iron law of oligarchy (see Paloheimo & Wiberg 1997, 83). Government and supervision were transformed from serving the people to subjugating and dominating them. We learn from *The Human Web* (2003) by J.R. and William McNeill that the Mesopotamian priestly class was substituted with warrior kings. An example of later times is offered in Edward Gibbon's classic, *The Decline and Fall of the Roman Empire* (1998 [1788]), where the transformation of the Roman Republic into a corrupt empire is treated. The genealogy of degeneration seems to have been not only embedded in the transformation of the system but also within the political culture involving individual actors. Thus,

the first emperors, we read in Gibbon, but also in Tacitus (2001 [109 A.D.]), were of noble character who beheld governance as their duty.

If economic relations were from the beginning based on the benefit of an individual or group as the highest goal, then, a similar development in the pursuit of possessions and domination would have occurred, only faster, beginning directly with the right of violence, like Rousseau seemed to assume (see Rousseau 1997, I.i-iv). With this I wanted to say: there are two approaches to barter, economy and politics from which two different consequences follow. If used for domination, slavery follows. If used for public good, equality and prosperity may follow<sup>15</sup>. It may be true, that there never has been any society, governed with ideas of public good, and denunciation from self-love and love of ruling. Plato did attempt at formulating such a system, and Soviet Union is often presented as a failure of such attempts. If the nature of men is prone to evil, then, the role of laws, and decision making procedures is very important, in order to prevent a few gaining a position of domination. This it seems was the motivation for Rousseau's social contract (see *ibid.*).

The forms of domination during the Enlightenment were those erected on the one hand by the religious authorities and nobility, and on the other, by the privileged class of merchants. In was in this framework that the liberal tradition in politics and political economy emerged. However, self-interest was not considered an evil, at least, not by Smith, who writes, that the propensity to barter and the subsequent specialization is due to self-love. The driving force of commerce is the each individual's desire to better their condition, inspired by self-interest – not the benefit of community, or any divine obligation to do so. (Smith 2005, I.ii, 19.)<sup>16</sup>

According to Smith, the germs of trade lie in the human mind: desire to “*truck, barter, and to exchange one thing for another*”, because it is serves the self-interest of persons (Smith 2005, I.ii, 18-20). While the interior, spiritual or psychological causes of trade and barter may we discussed from different perspectives, and while different conclusion can be reached, depending on each persons ontological references, we should be able to agree on one prerequisite of trade: the availability of resources and time. Even if Smith labels the propensity to barter as the first cause, inspired by self-interest, it appears to me, that without any preceding material progress, all efforts of bartering would have been futile, and of little use. This holds in particular for the earliest groups of

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<sup>15</sup> I am aware of the problem in defining public good, general will and common interest.

<sup>16</sup> We have at least one tradition that shows the opposite. The Andean indigenous principle of *suma quamaña* is primarily concerned with the whole of the Mother Earth and its children that is with the nature, with the flora, with the fauna and with the people (Huanacuni 2010).



people, who were living on a Malthusian line fully dependent on the work of each person for the survival of the group, and who still were dependent on the fruits of nature, and prey for their subsistence. For example, a hunting party required most of the able-bodied men, gathering most of available pair of hands, and similarly, even in the primitive settled communities, most of the time was required for sowing the crop and later for harvesting.

It is no coincidence that the first civilizations grew along the fertile lands by great rivers in Mesopotamia, by Indus and Nile, in China by Huang He and in Americas in the swampy lowlands along the Gulf of Mexico and along the Peruvian coastline, where nature was friendly and subsistence abundant (McNeill 2003, 43, 44). And on the other hand, the slash and burn agriculture in the unfriendly Northern climate effectively kept the population within Malthusian limits until the dawn of the modern age.

However, when there were resources enough, and when the rise of material comfort became a desire for enough people, they began to barter. Bartering soon led to division of labor which is the reason behind increase in the productive powers of each individual and society as a whole (Smith 2005, I.i, 10). Smith (ibid. 13) writes:

This great increase in the quantity of work, which, in consequence of the division of labour, the same number of people are capable of performing, is owing to three different circumstances; first, to the increase of dexterity in every particular workman; secondly, to the saving of the time which is commonly lost in passing from one species of work to another; and, lastly, to the invention of a great number of machines which facilitate and abridge labour, and enable one man to do the work of many.

Division of labor requires two things. There must be a means of barter. Thus, as cattle, products of blacksmiths, carpenters or farm products were neither equally exchangeable nor portable - metals and later paper money and credit came to dominate as a means of exchange. Secondly, there must be those whose work is barter, the middle men who answer for the distribution of the common stock of the nation according to the wishes and needs of people. (Smith 2005, I.iv, 26; IV.iii, 379; IV.ix, 541.)

John Stuart Mill was writing almost a century after the *Wealth of Nations* saw daylight. While Smith's concern was political economy, Mill saw political philosophy as his mission. In introductory words to his *On Liberty*, he defines liberty true to its Latin origin<sup>17</sup> siding it with the freedom of an individual against “*authority*” of any kind: “*the sole end for which mankind are warranted, individually or collectively in interfering with the liberty of action of any of their*

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<sup>17</sup> Liber, in Latin, stands for independent, unrestrained; free from, exempt (Latin Dictionary and Grammar Aid 2012).

*number, is self-protection*". This leaves few options for state actions or majority decisions if aimed at posing restrictions on the freedom of individual. Logically, the principle also applies on economy - people must be left free to pursue their own happiness the way they feel best. And this is also the most beneficial way. (Mill 2001, 7, 18, 135.) Accordingly, a civilized country is "*rich in the fruits of agriculture, commerce and manufacture*" (Mill 2009, 67).

There are similarities in Lockean, Hobbesian and Mill's reasoning about liberty, but we also note the difference in emphasis. For Mill, liberty becomes a central value and principle, whereas Hobbes (1651, I.xv, 94-5) considered liberty and equality as the basic natural rights of each man, and whereas Locke (1823, 2: IV § 30) imposed a limit to private property. Hobbes argued in favor of a strong government, the great Leviathan, that would guarantee the natural rights of people, and the contrast from this angle is stark (Held 1987, 50). These differences mark the separation of Enlightenment into the British and the French tradition (see Hayek 2006, 50-1). But to classify Hobbes as a proponent of the French tradition, and Locke as a proponent of the British tradition, seems too liberal an interpretation.

*On Liberty* came from the printing presses in 1869, and Mill could contend him with noting that the long struggle for acceptance of free trade as the best system of providing cheapness and good quality was by-gone. On free trade, he left only a few remarks, writing that buyers, free to supply themselves from elsewhere, if they were not satisfied, created the optimal condition for quality work (Mill 2001, 135). To rephrase Smith from the present perspective (modern economics): market mechanism in free competition between the suppliers and without monopoly of buyers, driven by the incentive of personal profit seeking, creates the optimal outcome for all parties – as if led by an invisible hand (Smith 2005, IV.i, 356).

The struggle by-passed in Mill's time, was raging during Smith's. One of the battles was about revoking the Corn Law. It enabled government to set the price of corn and limit its purchase from abroad by tariffs or bounties, as Smith calls them, which in turn made the inferior ranks vulnerable to the hazards of nature, like the Great Famine in Ireland demonstrates (Cameron 1995, 315). Famine would be easily remedied by trade:

The unlimited, unrestrained freedom of the corn trade, as it is the only effectual preventive of the miseries of a famine, so it is the best palliative of the inconveniencies of a dearth; for the inconveniencies of a real scarcity cannot be remedied; they can only be palliated. No trade deserves more the full protection of the law, and no trade requires it so much; because no trade is so much exposed to popular odium. (Smith 2005, I.vi, 423.)

International trade entails one problematic issue, which is the trade between poor and rich countries.

Smith was in favor of international trade because of reasons like demonstrated with the Corn Law or because of the absolute advantages of buying foreign corn if the domestic harvest was destroyed. Further, the benefits of trade are widely expanded with larger markets and with the incorporation of different kinds of geographic areas. When markets are small, “*no person can have any encouragement to dedicate himself entirely to one employment*” and the society will be deprived of the benefits of extensive trade. (Smith 2005, I.iii, 21.)

What about infant industry<sup>18</sup>? Hobson's account on the effects of free trade during industrialization show that little of technological improvements occurred in colonized countries. In many cases, quite the opposite happened (Hobson 2004, 263-264, 274). Lot of critique from the developing countries is about this issue even in the modern system of political economy. In his *Globalization of Poverty* (2003), Chossudovsky provides case studies about the asymmetric competition in Africa, which destroys local markets and creates masses of unemployed people. The case of Somalia is particularly alarming. Being forced to structural reforms and to open its markets for foreign agricultural products, entire life styles were wiped out. Before the 70s Somalia was a country of small independent farmer, and on nomadic herdsmen, who traded their products between them. This serves little the market, but neither do markets serve them, when liberalization was imposed from above. Livelihood of tens of thousands was destroyed with cheap foreign food, but there was nothing to substitute it. In Chossudovsky's interpretation, the persistent crisis in Somalia depends on these factors. (Chossudovsky 2003, 118-124.)

Nor is Joseph Stiglitz completely in favor of the handling of free trade agreements with the former third world<sup>19</sup> (Stiglitz 2004). Not without reason, many Latin American countries accuse their Western counterparts of expropriating their natural resources, of neocolonialism besides of the destructive relation of capitalism towards nature (Morales 2010a, 95-100). The current eight members of the Bolivarian Alliance for Peoples of Our America – Peoples' Trade Treaty (ALBA-TCP) all agree on this (Ministerio de las relaciones exteriores 2010, 10, 27-9).

Protection of infant industry, and agricultural sovereignty is one answer to these concerns (Ministerio de las relaciones exteriores 2009, 27-9). Protectionism, however, is always bad, claimed Mill: “*restrictions on trade, or on production for purposes of trade, are indeed restraints; and all restraint, quâ restraint, is an evil*” (Mill 2001, 135). If trade is beneficial, it follows that restricting

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<sup>18</sup> “*A newly established industry, that is not yet strong enough to compete effectively in the global marketplace*”, (Kegley & Wittkopf 2001, 255).

<sup>19</sup> Former after the fall of the Second, the Communist world.

trade isn't, thought Smith (2005, III.iv, 337):

It was thus, that, through the greater part of Europe, the commerce and manufactures of cities, instead of being the effect, have been the cause and occasion of the improvement and cultivation of the country.

Examples of the latter are various in both type and scope, and the history of Northern and Eastern Europe bears witness to that. Smith's argumentation was based partly on historical data, partly on logical reasoning. The logical explanation implies: a direct investment on plant of production provides both technology to be imitated and money to be spent. Tampere city was begun to flourish after the Scottish entrepreneur James Finlayson built his factory on the bank of the chute running between the two lakes of the area. The difference in altitude provided cheap energy and the excessing rural population workforce. Result was beneficial for both parties. Even in case of a developing country, one could argue, where there is neither factories nor infrastructure, farming of the so called cash crops will provide an access to both knowledge and money. By selling coffee, beans, cacao or rare fruits country will get some initial finances to start built infrastructure. If a foreign plant is added to that picture, development should proceed even faster. Thus, the benefits of trade seem to be universal, like Smith (2005, IV.iv, 399) assures us:

Every town and country, on the contrary, in proportion as they have opened their ports to all nations, instead of being ruined by this free trade, as the principles of the commercial system would lead us to expect, have been enriched by it.

This is not always the case. According to Airaksinen (2003), Chossudovsky (2003), Patomäki and Teivainen (2003) and Stiglitz (2004), the reason lies in the power structures of international political economy combined with structural adjustments, which leave people, especially in the global South, vulnerable for the uncontrolled exercise of their economic power for the benefit of their shareholders. In the concluding chapter these claims are confirmed.

### **3.2.3. Conclusion**

Let me conclude this section with an interpretation of the message from early Enlightenment writers: all men are to be considered equal for basically two reasons. First one is the Hobbesian argument. In a war of all against all there are no winners, but everyone loses, because no is alone powerful enough to subjugate all other, not even a few others. Rousseau's argument belongs to same category: even if some groups are inclined into obeying, and a few into ruling, this only prolongs and stabilizes the Hobbesian condition of war – right to rule belongs to those, who at any given moment are the strongest, and willing to fight for that right.

Second consideration is based on the consideration that men are equal. Namely, even the advantages

of superior individual capacities are relative to cooperation. No matter how smart or how powerful a person is, he cannot accomplish nearly anything of greater value by himself. In fact, left alone at the mercy of nature, most of his time will be spent of gathering food and providing for survival. But two persons already make a difference. Firstly, they provide each other the psychological comfort or necessity of being able to give outlet to their feelings and thoughts, in short, a possibility for sociable life. That enhances their mental powers and motivates their life. But it also enhances their capacity to tame their environment. By power of cooperation many things that for a solitary man would have been impossible to do, or without real value, become valuable and desirable. The more people we put together, the more they can accomplish, by the power of the combined strength, their combined wits and foremost, by the power of cooperation, which enables the members of the group to concentrate the whole effort on not only survival, but for example, building houses.

Thus, the different human qualities, differences in mental and physical capacities are relative to cooperation. Without no one to use these capacities with, they cannot be put into any significantly greater use than even the most dull person can come up with. It is only by cooperation with yearlong history, with history of decades and centuries that the smartest members of the society can begin to use the combined efforts of their ancestors in order to provide their contemporaries with some qualitative change.

Smith's argument in favor of the latter is that of division of labor. No matter how smart and strong one person is, without division of labor he will have to use most of his time to creep on the ground looking for berries and hunting rabbits. Cooperation among humans leads to progress. Division of labor is the principal step in this progress and trade is the means of making it possible. (Smith 2005, I.i, 13, IV.iv, 399.)

In consequence of these considerations a question arises: how can one person claim the possession over the results of work done by thousands of other people, whose existence and whose combined effort is the only reason for the existence of those things, which he claims to be his? It seems that Hobbes and Locke were thinking in rather similar manner, and it is to this kind of argument that Rousseau later built on. Thus, individuality and liberty in the context of the early Enlightenment were in close connection with equality, and secondly, on the value of labor, or, like our example would imply, not only the value of the labor of an individual, but most of all, the value of labor of generations of individuals.

18th century thinkers had already produced different interpretations. On one hand, the foundation of economic liberalism were laid, on the other, theories about equality were given the form social

contract. The interpretations on value of labor, equality, and freedom which were produced during the 19th century were marked by such differences compared to the earlier conceptualizations that two completely opposing theoretical schools had been born. Classical liberalism promoted free markets, while socialists promoted the abolition of them. Against this background I will now go on to develop the Smithian perspective, the outlines of which are perhaps already visible in this conclusion.

### **3.3. Smithian Conceptualization of Liberalism**

#### **3.3.1. Smith's Ideal: System of Natural Liberty**

In contrast to modern economists, Adam Smith and most of the classical writers made no separation between political and economic systems. They analyzed economy in a given political and social context and labeled their field of science political economy. In this manner, David Ricardo's major work goes with the title *Principles of Political Economy and Taxation* (2001 [1817]). We may ask ourselves, why was that? One answer is offered by the earlier example of ancient philosophy. The learned men in Greece were not all philosophers in today's sense, because philosophy was a name used for most sciences. The separation of science into different disciplines is the product of the vast expansion of knowledge, a kind of division of labor in academies. Nevertheless, the separation of economics from political science has another connotation of deeper and perhaps graver consequences. Separated from the rest of social science, especially from the political science and sociology, economics shifts the focus from social phenomena to economic perspective (see Teivainen 2002). What is beneficial for society as a whole does not necessarily correspond to what is beneficial for a competitive company (Stiglitz 2010, 88, 89).

Smith's two major works, *Theory of Moral Sentiments* ([1759], 2006) and *Wealth of Nations* ([1776], 2005) do not follow the modern division of labor among academics. Smith was both a moral philosopher, political scientist and economist. These two works merge these three into one system of thinking, which perhaps escapes the eye of a modern reader used to the dividing lines between these different disciplines.

Smith is perhaps best known for his alleged theory of the invisible hand. It stands as a symbolic reference to the benefits of self-interest in competitive markets. From the *Wealth of Nations*, we get the following (Smith 2005, IV.ii, 363-364):

As every individual, therefore, endeavours as much as he can, both to employ his capital in the support of domestic industry, and so to direct that industry that its produce maybe of the greatest value; every individual necessarily labours to render the annual revenue of the

society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain; and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest, he frequently promotes that of the society more effectually than when he really intends to promote it.

Second appearance in *Theory of Moral Sentiments* describes the benefits of self-interest, which consists of giving employment to vast numbers of people (Smith 2006, IV.i, § 10):

The produce of the soil maintains at all times nearly that number of inhabitants which it is capable of maintaining. The rich only select from the heap what is most precious and agreeable. They consume little more than the poor, and in spite of their natural selfishness and rapacity, though they mean only their own conveniency, though the sole end which they propose from the labours of all the thousands whom they employ, be the gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessities of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species.

This seems to verify the interpretation in undergraduate economic textbook, where the invisible hand is defined as “*the assertion that the individual pursuit of self-interest within free markets may allocate resource efficiently from society’s viewpoint*” (Begg et al. 2005, 10). However, this interpretation is problematic from at least two points. First issue is the concept of invisible hand, second the concept of free markets.

Smith uses invisible hand only thrice, once in his *History of Astronomy* (1795), once in *Theory of Moral Sentiments* and for last time in *Wealth of Nations*. This has given reason for some dispute of the true meaning of the concept. First time the words appear in a passage, where Smith ridiculed the credulity of people in polytheist societies, who ascribe all irregular and for them inconceivable occurrences to imaginary creatures, demons, witches, or fairies. Things of ordinary kind, but still as inconceivable, they don’t however, ascribe the “*invisible hand of Jupiter*”. In addition, the earlier use of ‘invisible hand’ was generally in a grim context. Rothschild given an example from Shakespeare’s *Macbeth*, where the words “*bloody and invisible hand*” appear just before murder, designating the darkness of night that will conceal the deed. Similarly grim was the context of the words in Voltaire’s tragedies, which Smith greatly admired, claims Rothschild. Her intention is to show, that invisible hand was used in rather negative sense, and that we should not ascribe self-interest and free markets all the benefits that modern economics usually does. (Rothschild 2001, 116-119.)

In Paul Oslington's interpretation, in early texts Smith is studying regular versus irregular divine actions. The thoughts developed in this period are presented in *Moral Sentiments*, where 'invisible hand' is the hand of God, to set limits for self-interest and to maintain stability among his creatures. Invisible hand is not, according to this interpretation, the self-regulating and self-correcting force of the markets, but an outside force, that seeks to hold the balance between social actors. (Oslington 2012, 434, 436.)

Thus, it is questionable whether Smith's idea of the 'invisible hand' was strictly in favor of the free markets. Second problem is the importance of the concept of free markets in Smith's work. In *Wealth of Nations*, 'invisible hand' and 'free markets' appear only once each. Is it possible to claim that Smith was a free market theorist, if he only uses the concept once in his major treatise on political economy? Smith does, however, employ other words that by modern reader may easily be interpreted as referring to what we today call free markets. These concepts are 'free trade', 'liberty', 'market', and Smith's variant of self-interest – 'own interest'. My intention is to show that this interpretation does not fit in the conceptual framework given to these other words: Smith's idea of free markets was different from the now prevailing one.

While it may not be correct to label Smith as a free market theorist, we can affirm the connection he made between self-interest and social benefit. It appears clearly in the two quotes above about the invisible hand, but we also read, for example, that the proprietors “*divide with the poor the produce of all their improvements*” (Smith 2006, IV.i, § 10). The context of this idea of social benefit resulting from self-interest is not constructed by a system of free markets as we know them, but a system of natural liberty which only existed in Smith's imagination. The few pages that Smith assigned for this system in his *Wealth of Nations* emphasize the meaning of liberty as lack of external coercion.

In this system “*the sovereign has only three duties to attend to*”, first duty being, protect the society from outside attacks, second, to establish “*an exact administration of justice*” and finally, the duty of providing for those public works or those services, the kind of infrastructure and public works that no single capital owner, financier or company could profit from or alternatively, where a private interest would be left without the check of competing firms. (Smith 2005, IV.ix, 560-561.) This system, by providing personal liberty, provides the encouragement and possibility to choose an occupation in one's own liking, to “*cultivate and bring to perfection whatever talent of genius he may possess for that particular species of business*” and to exchange the excess of his own labour “*for such parts of the produce of other men's labour as he may have occasion for*”. (Smith 2005,



I.ii, 18-19.) In Smith's words, "*the obvious and simple system of natural liberty establishes itself of its own accord*", when all "*extraordinary restraints*" to force capital "*towards a particular species of industry*" or vice versa are taken away. (Smith 2005, IV.ix, 560.)

The resemblance of these notions with New Classical theory of free markets and minimal state is striking. This variant of neoliberalism is based on the argument that free markets make the optimal distribution of commodities, number of employment opportunities, and stock of profits – as if by an invisible hand. Difference between classical economists, including Smith, is the time span for these adjustments to take place. Classical writers assumed an indefinite time span. New Classical theorists assumed an almost instantaneous effect – given of course, that all input and output factor are flexible and reflexive, which happens only in a pure free markets system. (Begg et al. 2005, 554.) Interpreted in this sense, Smithian theory is embraced also by Friedrich Hayek (2006, 54, 196). This, however, presents only very partial picture of what Smith was doing, when he wrote those words.

Smith used the name system of "natural liberty" for an obvious reason: it "*establishes itself of its own accord*". In similar fashion, division of labor "*from which so many advantages are derived*", established itself not by a plan, but like Hayek (2006, 50-1) said, spontaneously. According to Smith, division of labor was the "*consequence of a certain propensity in human nature, which has in view no such extensive utility*". These issues, division of labor and extended network of cooperation, are the inherent characters of civilization. Even the "*very meanest person in a civilized country*" is using clothes, commodities and accommodation, which are the product of "*assistance and co-operation of many thousands*". Thus in a "*civilized society*" we are "*at all times in need of the co-operation and assistance of great multitudes*". (Smith 2005, I.ii, 17-18; IV.ix, 560.)

System of natural liberty is mentioned only twice. It is part of a chapter dealing with the agricultural systems which according to Hayek (2006, 51) represent the French Enlightenment. Smith's treatise is indeed based on the example of France, and he strongly criticizes the philosophy of those whom later writers began to call Physiocrats. It was not however, altogether a wrongly conceived system, thought Smith. In fact, without the restrictive policy employed in France, its emphasis of the revenue of country's rude production, as the foundation of countries wealth, was in Smith's thinking an ingenious and correct thought. Smith himself begins *Wealth of Nations* by saying, that "*the annual labour of every nation is the fund which originally supplies it with all the necessaries*" and comforts of life, and when presenting the outline of the book, continues by saying, "*whatever be the actual state of the skill, dexterity, and judgment, with which labour is applied in any nation*", the

annual supply and wealth depend not only on the number of laborers, or the amount of capital, but also on the “*particular way in which*” the capital is employed “*on useful and productive labourers*”. (Smith 2005, 8, 9; IV.ix, 548.)

The word ‘productive’ is important for our purposes for two reasons. First reason is offered in the following quote. Here Smith describes the French idea of an agricultural (later Physiocratic) system:

This system, however, with all its imperfections, is perhaps the nearest approximation to the truth that has yet been published upon the subject of political economy; and is upon that account, well worth the consideration of every man who wishes to examine with attention the principles of that very important science. Though in representing the labour which is employed upon land as the only productive labour, the notions which it inculcates are, perhaps, too narrow and confined; yet in representing the wealth of nations as consisting, not in the unconsumable riches of money, in the consumable goods annually reproduced by the labour of the society, and in representing perfect liberty as the only effectual expedient for rendering this annual reproduction the greatest possible, its doctrine seems to be in every respect as just as it is generous and liberal. (Smith 2005, IV.ix, 533.)

What today is called free markets was by Smith linked with a theoretical idea of 'system of natural liberty', and with a practical system, called by him an agricultural system, from which the Physiocrats developed. The key idea in the agricultural system was at least that of productivity. And this concept again has different meaning that we today are used to.

Word ‘productive’ refers to the foundation of all economies, which is, the “*rude production*” denoting “*industry of the country*”, which produces all the means used in “*industry of the town*”, or to the manufacturers and artificers, and the subsistence for the whole population (Smith 2005, 9). By using word ‘productive labour’, Smith distinguishes two very different uses of the productive forces. Capital and labor can be used to provide services, but if all capital and all labor went to providing services, we would be well served for a while, but then go hungry and starve. Thus, like Smith says, productive labor supplies a nation “*with all the necessities conveniencies of life which it annually consumes*”. (Smith 2005, 8; IV.ix, 533.)

In addition, the word ‘productive’ is important, because it brings along the connotation of value of labor. The value of any commodity in person’s possession, Smith tells us, “*is equal to the quantity of labour which it enables him to purchase or command*”. Accordingly, “*labour is the real measure of the exchangeable value of all commodities*”. Quantity of labor however, being “*an abstract notion -...- is not altogether so natural and obvious*” as money. When society moved from barter economy to a more expanded system of trade, “*money has become the common instrument of commerce*”. The development of markets and economy brought about a change in the value of commodities. Capital owners and land proprietors are not engaged in productive work, or they can

be, but the concept of rent and profit does not have this meaning. According to Smith, proprietors “*love to reap where they never sowed, and demand a rent even for its natural produce*”. (Smith 2005, I.v, 31, 32; I.vi, 47, 50.)

Thomas Hobbes and John Locke were on the same tracks (Locke 1823, 2: IV, §30; Hobbes 1651, I.xv, 95), as well as Rousseau from the French Enlightenment (Rousseau 1997, I.ix, 61, 63-64) and David Ricardo from the British. All things considered utile “*derive their exchangeable value from two sources*”, Ricardo writes, continuing, “*from their scarcity, and from the quantity of labour required to obtain them*” (Ricardo 2001, 8). Emma Rothschild (2001, 116-7) and Paul Oslington (2012) discussed the intellectual context of Smith’s ‘invisible hand. Productive work and value of labor are two other composites of the conceptual context of Smith’s theories.

The Austrian Economist Murray Rothbard called Smith’s theory of value<sup>20</sup> “*an unmitigated disaster*”, because he separated utility from the price and value. According to Rothbard, Smith’s theory influenced the English socialist writers, called Ricardian socialists, but who instead ought to be called Smithian<sup>21</sup>. The value of a purchasable object does not depend on the quantity of labour used in its production. Worth of a thing depends on the subjective valuations of buyers and the relative scarcity, not the quantity of labor. The value of an object is based on subjective valuation of its utility for a potential buyer, which according to Rothbard, renders Smith’s theory both incorrect and harmful. (Rothbard 2006, 448, 456, 457.) Harmful, because of its latent socialist connotation, manifest in Smith’s view about the land lords, who “*reap where they never sowed*” (Smith 2005, I.vi, 47).

Karl Marx developed his theory of the expropriation on the foundations laid by Smith, Ricardo and earlier by Locke (see Skousen 2006, 51-56). If labor is the ultimate value of all things, profits on capital must be taken out of the value of labor. If the value of a given commodity is, say, ten hours – it takes ten hours to produce it, the profits on capital means the portion of deprived hours from the laborer. If the owner of capital is in control of all productive forces, his positions makes full expropriation possible. Laborer is forced to work full hours, but is given the pay for only four, given that with four hours’ work he will sustain himself and his family. In ten hours’ day expropriation consists of 6 hours. (Marx 2010 [1887], 102, 149.)

In conclusion, the ideal of political economy is conceptualized as the system of natural liberty.

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<sup>20</sup> Smith however, never spoke off such a theory.

<sup>21</sup> Or perhaps just classical?

Hence, the key concept is not the invisible hand. In the conceptualization of the system of natural liberty the most essential notions seem to be the idea of productivity and the notion of labor as the fundament of value. With this in mind, next task is an interpretation of three other fundaments of liberalism. These are self-interest, private property, and markets. Market is the institutional framework where private property is used by individuals to pursue their self-interests. The conceptualization of this institutional framework from the perspective of neoliberalism or New Classical theories would imply the institution of free markets. As indicated by the above discussion, Smith's conceptualization is different: the key concept is not the invisible hand, and the key institutional framework is not free markets but the system of natural liberty. I continue with self-interest and private property.

### **3.3.2. Self-Interest and Private Property**

Smith describes self-interest as a tool of God, or Providence, to lead men to do well. Most of people do not possess high spiritual qualities or a desire to be virtuous, for the sake of virtue. But self-interest makes most people behave as if they did. From the process of social learning, we learn what manners are good and respectable, and what actions gain the admiration of others. In outward form, even if acting out of self-love, man thus adopts the appearance of a virtuous and good citizen, and often his actions cannot be distinguished from the truly virtuous individual. These sentiments are further strengthened by religion, which implants the fear of divine punishment. (Smith 2006 I.iii.2, § 3; III.5, § 1.) In *Theory of Moral Sentiments*, Smith writes:

The all-wise Author of Nature has, in this manner, taught man to respect the sentiments and judgments of his brethren; to be more or less pleased when they approve of his conduct, and to be more or less hurt when they disapprove of it (Smith 2006, III.2 §1-2, § 31-32).

This process of learning might be called a divine hoax, which deceives egoism, respect for oneself, lust for power and desire of wealth, to act in completely opposite manner to the inner will. Thus, self-interest leads men to seek respect from their fellows, by showing them respect: "*Man naturally desires, not only to be loved, but to be lovely*". The lust of power and domination are bent to take the form of governance by law and by consent, the desire of wealth not to robbery, but to exchange, trade and diligence. (Smith 2006, III.2, § 1; IV.1, § 8.) Rousseau's account of general will is somewhat similar. In social contract, men cede their natural liberty of acquiring as much property as they might want, and by force and by gunning succeed in getting, and in exchange they are given civil liberty, and right to property, which they by their own industry can maintain, and for their own needs, consume (Rousseau 1997, I.viii, 59; I.ix, 61).

Both accounts are similar in their belief, that men are not good by their nature. Difference lies in how to achieve that goodness. Rousseau thought that it is possible only by a social contract, and governance according to the general will. He rejects the main liberal idea, that particular interests are or can be utile, and proposes a strong role for majority rule. (Held 1987, 76, 79.)

Smith, on the contrast, believes, that men are bent to goodness by the aforementioned trick that God has played on them. In *Moral Sentiments*, Smith describes an 'impartial spectator', a part of our mind, which registers how other people behave and how they react to certain behavior. As their search for admiration, and desire to be loved, this 'impartial spectator' acts as a kind of teacher of social behavior, and causes an individual to become a reflective person. (Smith 2006, II.ii.2, § 1, § 2.) Hence, self-interest is transformed into a moral sentiment.

Reflective social action depends upon the desire to be loved by others. This, however, does not apply on all human relations. Where differences in condition are great, the poor don't aspire the admiration of the rich, and neither do the rich seek the love of the poor. Rich man is always *"surrounded by unknown enemies, whom, though he never provoked, he can never appease,"* and from whom he is protected only by law and force. The need for protection arises when even small inequalities in condition and state are born. (Smith 2005, V.I.ii, 580.)

Inequality is a problem only for the human mind prone to envy and vanity, but it has no relation to moral law, justice, or the universal system of love, and it should never be made an objective of politics. (Smith 2005, V.I.ii, 580). *"When Providence divided the earth among a few lordly masters"*, which gave rise to inequality in status and fortune, *"it neither forgot nor abandoned those who seemed to have been left out of the partition"*. It did not forget, because these differences are trivial, and do not matter for *"what constitutes the real happiness of human life"*. (Smith 2006, IV.1, § 10.)

What appears as inequality may even be regarded as a social utility, combined with the utility of self-interest. In *Theory of Moral Sentiments*, Smith discusses how to awaken a man's dexterity. It is a poor incentive to tell him, that the wealthy are *"generally sheltered from the sun and the rain, that they are seldom hungry, that they are seldom cold"*. But even the most poverty struck enjoys all of these comforts. To succeed, *"you must describe to him the conveniency and arrangement of the different apartments in their palaces"*, in short, all objects of vanity, attainable with riches, but which only tend to *"keep off the sun and the rain, to save them from hunger and cold, from want and weariness"*. (Smith 2006, IV.1, § 10-1.)

Thus self-interest serves both morals and economy. It is self-interest that drives men to work hard in their aspiration for object that in the end have little true value for them, but that can provide good services for others. (Smith 2006, IV.1, § 8):

The poor man's son, whom heaven in its anger has visited with ambition, when he begins to look around him, admires the condition of the rich. He finds the cottage of his father too small for his accommodation, and fancies he should be lodged more at his ease in a palace...- With the most unrelenting industry he labours night and day to acquire talents superior to all his competitors. He endeavours next to bring those talents into public view, and with equal assiduity solicits every opportunity of employment. For this purpose he makes his court to all mankind; he serves those whom he hates, and is obsequious to those whom he despises. Through the whole of his life he pursues the idea of a certain artificial and elegant repose.

In this context inequality appears a rather positive thing, which is of no substantial meaning – not for the rich, nor for the poor, who all are acting from vanity, if they think otherwise. But that was not Rousseau's idea. Inequality is the result of force and violence springing from the particular interest of people who, in consequence, must refrain from their 'natural liberty' and submit to rule of majorities. Smith rejects this idea because of almost the same reason. From the minor disagreement about the nature and functions of self-interest, a huge chasm appears as far as the consequences of it are concerned.

The above corresponds to Hayek's division of Enlightenment into the British and French traditions. It is beyond doubt that Smith's and Rousseau's ideas about government differ greatly. So do their ideas about equality, which leads to a separation concerning free markets. It is, however, problematic to make these interpretations, because in 1776, when *Wealth of Nations* for the first time spread the smell of ink in some publishing house, free markets did not exist, and most governments were suppressive.

Also, recalling the Smithian ideas about labor and the framework of his system of natural liberty there seems to exist something of a contradiction as far as equality is concerned – and especially, if we read Smith with the modern socialists and neoliberals in mind (those demanding equality, and those demanding freedom).

In my interpretation, the resemblance of contradiction can be explained by distinguishing the normative dimension of equality from the descriptive approach to it. From normative perspective, the order of the world is set up in accordance with the prescriptions of divine Providence. For God, inequality does not matter. It neither saves the poor, nor condemns the rich into abyss. Inequality should not matter for men either. But as men are prone to evil, God has invented an ingenious way

of deception. He uses self-interest in order to push people forward, make them hard working, cause them to strive for more of material comfort, which in the long run serves the precept: multiply and fill the earth. Originally, like Smith says, “*labour was the first price, the original purchase money that was paid for all things*”, and among uncivilized peoples “*their universal equality*” was possible because of their “*universal poverty*” (Smith 2005, I.v, 31; V.i.ii, 581). Normatively, inequality is not a problem given that by hard work and a bit of luck even a poor person can become at least relatively wealthy. Instead, inequality is an issue of descriptive nature.

Joseph Stiglitz writes: “*As a system, capitalism can tolerate a high level of inequality, and there is an argument why the inequality exists: it is the way to motivate people*” (Stiglitz 2010, 110). Similarly, Milton Friedman writes: “*If there is no reward for accumulating capital, why anyone should anyone postpone to a later date what he could enjoy now?*” (Friedman 1979, 23). Hence, inequality in the liberal tradition is not a normative issue.

Even Marx acknowledged the need of capital accumulation which implicitly means the acceptance of class society and inequality at some stage of history. But, according to Marx, accumulation cannot go on forever. The reasons are similar to what we recall from Wallerstein's account of the crisis of modern world-economy (Wallerstein 1991a, 24, 25). When accumulation of private capital has led to industrialization and huge economic power for the capitalist class, the counterforce has also been created: the proletariat, united by class-consciousness and condition. From this perspective inequality is the result of a historical process rather than a normative issue: too much of social inequality between classes create the impetus of social change for an equal system.

That inequality and self-interest are conditional to the divine plan to set men into work, and that inequality and self-interest are not beneficial in all situations – a rejection of modern free market fundamentalism, depends on Smith's notion of the aforementioned 'impartial spectator'. Namely, there is another spectator, who is not impartial. Smith writes, “*the propriety of our moral sentiments is never so corrupted, as when the indulgent and partial spectator is at hand*”. Partial spectator takes the stage when the bonds of interdependence are loosened. This happens for example “*in war and negotiations*”, when “*the laws of justice are very seldom observed*”, if advantages are to be gained by noncompliance. In Smith's example, this situation emerges from conflict of interest between two nations. Thus, “*the citizen of each pays little regard to the sentiments which foreign nations may entertain concerning his conduct*”, they only seek the “*approbation of his own fellow-citizens*”. (Smith 2006, III.3, § 41, § 42.)

Benefits of self-interest are dependent on a social environment, where all the actors are in need of

social approbation for their actions, which is upheld by interdependence. European Steel-and Coal Union was founded on the idea of increasing interdependence of the two central European countries, which would be the guarantee of sustained freedom between the two. Without interdependence, there is no foundation for social consciousness, for morality, for good conduct. The rich and poor are short of social interdependence, for which reason, in my interpretation, the sentiments of the poor are as a rule directed against the rich, like Smith writes in *Wealth of Nations*. He explained the need to protect private property with the sentiments of the poor, but as for the reasons for these sentiments: if the logic of moral sentiments holds, the reason is lack of interdependence.

All of this may appear as self-evident. Who would not acknowledge that he cherishes stronger feelings for his kin and friends than for random people who he never has met or grown fond of? The underpinning ideas of this acknowledgement do, however, emphasize an importance of the interdependence in social action. Take social responsibility of business for an example. How can we trust in social consciousness of large multinational companies whose annual profits often exceed the GNP of their host countries? Directors and profiteers live in the rich West while work is done in the Global South. There is no social connection, no social and moral interdependence between workers on the one hand, and directors and shareholders on the other. Between 70s and 1992 there was a UN lead attempt to frame a binding Code of Conduct for corporations. It was part of the wider Third World protest movement, New International Economic Order (NIEO), but the attempt failed. At the World Economic Forum in 1999 a new initiative was launched, called the Global Compact. It consists of charter of principles, and has rather extensive membership of transnationals. Member companies have the obligation to regularly report on their advancement in promoting the principles of the Compact. There is, however, no external scrutiny. (Bair 2007, 492, 495- 496; see Airaksinen 2003.) Thus, what is there to stop the Smithian “partial spectator” to step in and corrupt the moral sentiments of those multinationals?

Ultimately, the question of morality seems to be a question of power. An all-powerful and not a very sentimental dictator has no need for morality and becomes a sociopath. Most people have the need and capacity to become emotionally attached, but the number of people who in this emotional manner are bound together into an emotional form of interdependence is naturally very limited. Hence, a dictator might well be a good father and a caring husband, but still treat his subject with utmost neglect and cruelty. In other words, the more power one agent has relative to another, the less interdependence there is and the greater the possibility of arbitrary use of power.



According to Michael Mann, we read in J.M. Whitmeyer article in *The British Journal of Sociology*, economic power is derived from the satisfaction of needs through organization of the extraction, distribution, production, and consumption of natural resources. In Mann's studies, main concern is with the power sources (of which economic is but one). Another important unit of analysis however, assures Whitmeyer, is power subject. (Whitmeyer 1997, 212, 214.) The greater asymmetry between power subjects and users is, the greater the risk for misconduct, or "*the partial spectator is at hand: the impartial one at a great distance*" (Smith 2006, III.3, § 42). Result can be that private property loses its social function and inequality no longer benefits the society. According to Stiglitz, "*capitalism can't work if private rewards are unrelated to social returns. But, this happened in American style capitalism*" (Stiglitz 2010, 110).

Given that private property is not used for enslaving people and corrupting government, it is sacred. In system of natural liberty, protection of private property is one the three inviolable rules of liberty. It is a rule of liberty, because the same right is guaranteed for everyone, and they all are kept in check by mutual competition. From *Moral Sentiments*, we get the following:

The most sacred laws of justice, therefore, those whose violation seems to call loudest for vengeance and punishment, are the laws which guard the life and person of our neighbour; the next are those which guard his property and possessions; and last of all come those which guard what are called his personal rights, or what is due to him from the promises of others (Smith 2006, II.ii.2, § 2).

In *Wealth of Nations*, the point is further clarified. Smith says that the most sacred law of property is based on labor – the original foundation of property. This notion is of out-most importance as far as equality of opportunities is concerned. It also resembles the Lockean maxim shared by Rousseau. Liberty, without the possibility of with the hard work being able to better ones condition, is a mere illusion: self-interest and inequality are conditional (Smith 2005, I.x, 105):

The property which every man has in his own labour, **as it is the original foundation of all other property**, so it is the most sacred and inviolable. The patrimony of a poor man lies in the strength and dexterity of his hands; and to hinder him from employing this strength and dexterity in what manner he thinks proper, without injury to his neighbour, is a plain violation of this most sacred property. It is a manifest encroachment upon the just liberty, both of the workman, and of those who might be disposed to employ him.<sup>22</sup>

The first grand benefits of property are traced back to feudal Europe, when land was in the hands of relatively small number of feudal lords. These proprietors of large areas of cultivated lands were the sole masters of the surplus, which their tenants produced, and had no other use for it, than either maintain an extensive court or spend the money on their personal pleasure according to their private

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<sup>22</sup> Emphasis added.

interests. Artificers and merchants were the two groups of people, who came to fulfill their desires and thus, the vanity of a few provided the foundation of “*a revolution of the greatest importance to the public happiness*”. (Smith 2005, III.iv, 334-337.) Smith would agree with Hayek in following: “*Even the poorest today owe their relative material well-being to the results of past inequality*”. (Hayek 2006, 40.)

### 3.3.3. Markets and Local Economy

Smith is maybe most known as an advocate of free trade. But what he meant was different from what free trade stands for today. Title in Smith's *Wealth of Nations* tells us something. In *Moral Sentiments*, he said, that property was divided by Providence, not to serve particular interests, but because it is beneficial for all (Smith 2006, IV.1, § 10). Title implies the normative nature of Smith's political economy: it's objective is to construct prosperous nations, not huge private properties – even if the two often coincide. According to Smith, “*the great commerce of every civilized society is that carried on between the inhabitants of the town and those of the country*”. Town-dwellers, artisans and manufacturers, receive their “*subsistence and the materials of manufacture*” from the country for which they pay “*by sending back a part of the manufactured produce to the inhabitants of the country*”. (Smith 2005, III.i, 307.)

These two groups of people, the rude producers, and the producers of aggregate value, depend on each other. For the sake of illustration, a quote from Edward Gibbon (1998 [1778], 131, 132):

Spain, by a very singular fatality, was the Peru and Mexico of the old world. The discovery of the rich western continent by the Phoenicians, and the oppression of the simple natives, who were compelled to labour in their own mines for the benefit of strangers, form an exact type of the more recent history of Spanish America. The Phoenicians were acquainted only with the sea-coast of Spain; avarice as well as ambition carried the arms of Rome and Carthage into the heart of the country, and almost every part of the soil was found pregnant with copper, silver and gold.

Gibbon's account illustrates the difference between what Smith calls civilized society, and an empire, or, what Wallerstein calls, capitalist world system. An empire gathers the surplus from subjugated neighbors to the centers. The wealth of the center depends on its ability to force the peripheries into subjugation and extract their fruits of their labor and their resources. The most striking feature of this is the prevailing inequality in condition and power between the two. And secondly, the far greater number of those living poorly and toiling hardly compared to the few prosperous in the center. This was the quality in Rome, at least that is what Gibbon implies. This was true during colonialism and it still holds today between global North and South.

Smith's vision was different. According to Smith, *“the cultivation and improvement of the country”* which provides the subsistence for the whole population *“must, necessarily, be prior to the increase of the town”*. Excluding the possibility of collecting resources by force, *“towns could nowhere have increased beyond what the improvement and cultivation of the territory in which they were situated could support”*. And thus an important conclusion follows. Investment on the cultivation of the industry of country tends to supersede that of town: *“upon equal, or nearly equal profits, most men will choose to employ their capitals, rather in the improvement and cultivation of land, than either in manufactures or in foreign trade”*. This way property is *“more under his [investors] view and command”*, its profits are more secure, and it is less liable to the *“more uncertain elements of human folly and injustice”*. But neither can the industry of country flourish without the towns: different kinds of artisans settle around the cultivated lands and sources of natural riches, close by each other to facilitate their mutual cooperation, and in this manner the villages and towns are born: *“the inhabitants of the town, and those of the country, are mutually the servants of one another”*. The increase of wealth in towns depends on the demand from country, which increases in *“proportion to the extension of improvement and cultivation”*. (Smith 2005, III.i, 308-309; IV.ix, 559.) Smith writes:

Had human institutions, therefore, never disturbed the natural course of things, the progressive wealth and increase of the towns would, in every political society, be consequential, and in proportion to the improvement and cultivation of the territory of country (Smith 2005, III.i, 309).

This notion is interesting, because, in the present context country is neglected and as we remember from the Somalian case, free trade agreements may be very harmful indeed for the cultivation of territories and the local commerce, or rather, the local barter between farmers and city dwellers. (Chossudovsky 2003, 126.) According to Evo Morales (Morales 2010a, 96) NAFTA<sup>23</sup> trade agreement has virtually destroyed the Mexican countryside, lead to illegal immigration, and erection of the wall at US borders.

For Smith, however, local economy matters. It matters, because capital is in constant circulation for the betterment of local condition. Free trade with other national and international regions is carried on with the surplus created on local level, which arrangement guarantees sustainable growth and employment. It creates social interdependence and as a result, morality. Further, keeping the power relations in check, it keeps markets open for new entrepreneurs. Property must be attainable, because *“a person who can acquire no property can have no other interest but to eat as much and*

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<sup>23</sup> North American Free Trade Agreement.

*to labour as little as possible*” (Smith 2005, III.ii, 315).

In local economy, the principle should be Lockean: those who are owners of large capitals should also be its active employers. For Smith, it was important to keep the concept of property linked to individual gain by labor, which is an issue of both efficiency and morality. Smith saw joint-stock companies problematic indeed – capitalist is not the agent. Rather, they are managed by directors and the shareholders are in *“total exemption from trouble and from risk”*. (Smith 2005, V.i.iii, 606.) Joseph Stiglitz describes the result of separating ownership and control with following words: *“concern about performance has been translated into a focus on short-term returns”* (Stiglitz 2010, 13).

Here we have the Smithian framework for free trade. Smith would not approve of today’s free trade: that rich countries import cheap products from global South, while unemployment and social polarization is high even at the center of global economy, West and Japan (see Plehwe & Walpen 2006, 34, 35; Carroll 2010, 225.) That is not beneficial, if we follow the Smithian logic, for the development of South, nor for the majority of the population in the rich North. Free trade in Smithian line of thought would imply, that based on the surplus created within each locality, they would strive to concentrate on producing something they had advantage in.

Applied on towns in Eastern Finland, the principle would be following. Even in the East, potatoes, carrot and onion grow well, and there is a lot of wood. There is also plenty of land, so livestock at least for the local needs would be fully possible. With only 10 percentages of population, they could practically feed themselves and the small town around. The 90 percentages would invest their capital on producing aggregate value of those resources they had plenty of: wood. They could contend themselves with perhaps only schools, health care and carpenter, and perhaps, if they were lazy, export their wood to the bigger towns in South in exchange for other manufactured goods. But they could also develop their own forestry. If they had healthy financial services at hand, or own capital, they would be driven by knowledge of future gains. The value of their produce would increase, and they could with the surplus of their produce buy fancy wines from Southern European countries, high tech from Japan and China, and some luxuries from other places. The more effective their own rude produce would be, the larger portion of population could employ themselves in manufacture, and research and development. Further, instead of the sky rocketing unemployment numbers, they would need all available hands and unemployment would not only be sign of indolence, it would be sign of economic stupidity, and disregard for own good, and the good of the rest. This applies for all regions of the world.

Free trade would not mean that some countries or whole regions should concentrate on rude produce. They would be condemned to exchange much of their labor for small parts of the manufacture of the developed regions. But perhaps more importantly, if the basic unit of commerce would be expanded in scope with interregional division of labor, the connection between town dwellers and country industry would be lost. Social connections would become loose. Disparity in power relations would increase. As a consequence, self-interest would lose its ties to morals, and become as destructive and corrupt, as self-interest according to Smith internally is. Divine hoax would not work anymore. It would be replaced by human hoax, diametrically opposed to the Divine hoax.

Not surprisingly, then, Smith offers us the following quote awash with suspicion towards merchants:

A merchant, it has been said very properly, is not necessarily the citizen of any particular country. It is in a great measure indifferent to him from what place he carries on his trade; and a very trifling disgust will make him remove his capital, and, together with it, all the industry which it supports, from one country to another. No part of it can be said to belong to any particular country, till it has been spread, as it were, over the face of that country, either in buildings, or in the lasting improvement of lands. (Smith 2005, III. Iv, 340.)

When profit diminishes, merchants are very apt to complain that trade decays, though the diminution of profit is the natural effect of its prosperity, or of a greater stock being employed in it than before. (Smith 2005, I.ix, 80.)

In addition to the frames of self-interest, we can derive some useful ideas about the importance of local economy. Following the Smithian thinking, the most burning questions in political economy today does not seem to be the clash between Keynesianism and neoliberals. It is instead that of local economy. Lastly, two thoughts: New Classical economics, a variant of neoliberal thought, would perhaps be valid for international trade between the localities, given that local trade would flourish. Keynesian economics, on the other hand, seems to be an attempt to cope with the loss of control of economic resources among workers and in localities. Hence, not being able to work for their subsistence with their own means, trade with other local actors, people become dependent on the ability of the markets to organize not only work, but profits and large scale distribution. Keynesian macroeconomics seems to be an attempt to cope with this situation without changing the structures of the market place. If we exclude Marxists (2010), and accept that value is not based on work but on markets price, and that a 'just' market price depends on nothing else but competitive markets, then, I assume, Keynesian macroeconomics is viable, much more viable than 'free market fundamentalism'.

### 3.4. Conclusion

The task in this chapter was the development of an analytical perspective for evaluation of neoliberal civilization. I made an interpretation of Adam Smith's conceptualization of liberalism, that is, conceptualizations of liberty, self-interest, free markets, and private property. For this reason I began with the conceptual history of liberalism. The purpose was to distance myself from the common interpretation of Adam Smith, expressed in the following (Begg et al 2005, 10):

Individuals in free markets pursue their own self-interest without government direction or interference. The idea that such a system could solve the what, how and for whom problems is one of the oldest themes in economics, dating back to the Scottish economist Adam Smith.

Besides the historical conceptual framework of Smith's political economy, my interpretation relies on Smith's moral philosophy. I will now outline the interpretation and formulate the Smithian perspective. After that I will conclude this chapter with Smithian interpretation of the relation between capitalism and progress.

The early notions of liberty and individualism grew up in a political environment of coercion. In these theories the individual of neglected majorities was elevated from his pitiful state and regarded as of equal value with the nobleman. The idea of equality became central in the early ideas of individual liberty. The relation between liberty and wealth was defined with the background of the economic subordination of most people under aristocracy, land owners and merchants. Thus, equality and what by modern theorists is called labor value theory were conceptually linked and buttressed on the notion of the value of an individual, or, in the words of Thomas Paine (1996 [1791]), the rights of man.

Classical political economy grew up on these foundations. In 18th century, bourgeoisie capitalism had already changed the structures of the society by depriving the noblemen their leading role in economic life. The foe of individual liberty was no longer the nobleman. It was the class of merchants, the guilds of skilled labor, and the protective policies of national governments, who by barring trade aimed to gain in wealth by increasing the amount of their gold reserves and boost their respective enterprises. Protectionism and regulation labeled the economic life. Situation was projected to the notions of individual liberty. Adam Smith is one of the most known classical liberals who demanded the liberation of economic life from the variegated restraints it was burdened with. Liberty and equality were separated.

Adam Smith labeled his ideal form of political economy as a system of natural liberty. It would establish itself by its own accord, require only limited state interference, and found itself upon the

sacrosanct private property, because property is the means of all men to excess their liberties. Later generations of liberals know this idea as the principle of the invisible hand: free markets make the best possible allocation of resources and are the best guarantee of a progressive state of social life. Free market is the institution which enables the realization of individual liberty, based on the normative idea that men are all equal. Private property serves as the means individual action. This kind of system is today known as capitalism. Hence, capitalism is the means of progress, a necessary and integral part of civilization. (Smith 2005, I.i, 13; I.ii, 17-18; IV.iv, 399; IV.ix, 560.)

Neoliberal conceptualization of freedom seems to bear no meager relation to Smith's system of natural liberty. In both new and classical versions of the liberal tradition capitalism is seen as something that benefits all. This is the utilitarian dimension of liberal theory, which is a particularly strong theme in John Stuart Mill's thinking (Morrow 1998, 118-9). There are even communitarian aspects in liberal tradition, especially in Friedrich Hayek's theory on spontaneous evolution. McCann (2004, 381) writes in his *F. A. Hayek. The Liberal as Communitarian* that Hayek has made a successful combination of "*the best aspects of individualism and communitarianism*". In communitarians, human agents and social structures are interdependent. Individual rights cannot be defined without taking into account the community which provides a person with the social framework for his choices. (Morrow 1998, 376-8; McCann 2004, 381.)

Three key concepts in the system of natural liberty are self-interest, private property and free trade. Their modern denominations, however, do not correspond to the meaning that Smith gave them. Only a superficial interpretation of Smith's political economy can justify the claim that Smith was one of the first free market theorists in the modern sense of the word. Smithian perspective is composed of Smithian conceptualization of these key concepts.

Smithian conceptualization of self-interest includes two substantial elements. First is the origin of self-interest. According to Smith, self-interest is one tool from God's tool box in the service of utilitarian ends. Second element is the functional aspect of self-interest. It relies on the notion of men as social beings aspiring for the recognition, love, and liking from the fellow humans. The pursuit of self-interest does not create unsociable men but social beings who guided by their social sentiments becomes moral beings. Morality, sociability and self-interest in this conceptualization are contingent upon the existence of each other. (Smith 2006, III.2 §1-2, § 31-32)

Yet, Smith did not turn a blind eye on the potentially destructive nature of self-interest. But he realized that transformation only takes place in certain conditions. The two concepts to clarify this were the impartial and the partial spectators. Impartial spectator causes men to be sociable and act

morally, whereas the partial spectator only sees the self-interest of one man without the bonds that life in and belonging to a community sets up. These bonds are created by cooperation and interdependence. Whenever an individual or a group lacks the need of being loved and respected by other individuals or groups, self-interest falls under the eye of the partial spectator. In this situation, the good and beneficial are defined from the partial perspective of only one man without the relation to the interests of any other. (Smith 2006, II.ii.2, § 1-2.)

In this manner, by incorporating Smith's moral theory to his intellectual body of political economy, the meaning of the pursuit of self-interests becomes conditional upon the social framework of action. In my interpretation, this condition is interdependence. Only when people are emotionally dependent on the community in which they live can self-interest as the guiding principle of their actions be a motivational factor that takes into account the sentiments of approval or disapproval of their fellows. Self-interest, hence, seeks for personal profit in material gains and in social life with a sense of propriety. (Smith 2006, III.2, § 1; IV.1, § 8.) In this sense, the notion of individual liberty does not imply independence of community but belonging to it and dependence on it. It does not imply that men are autonomous actors whose perception of right and wrong are independent of others. Self-interest in this interpretations implies, on the contrary, that individual liberty is dependent on what others perceive is right and wrong. This interpretation of Smith's theory may be classified as a form of communitarianism.

Noam Chomsky's interpretation of the classical liberalism is rather similar. According to Chomsky (2005, 7, 21-2), classical liberals were liberals because of their antagonism towards the mercantilist doctrine of protectionism. They did not, however, separate individuals from the community, nor define self-interest as a good regardless of its effect on the rest of the society. Chomsky's interpretation is based on Wilhelm von Humboldt's *Limits of State Action* (1792). Chomsky did not conceptualize the meaning of how exactly this communitarian aspect of liberalism would take place, nor why it would be necessary. Smith conceptualization offers us explicit answer to the latter. Impartiality of morals and behavior functions when people are dependent on the approbation of their fellow citizens. When people are in no need of approbation, they pay little attention to what others feel. (Smith 2006, III.3, § 41, § 42.) Thus, the first principle of the Smithian perspective is founded upon this notion of interdependence.

Second key concept is private property. Smithian conceptualization of private property includes firstly, the aspect of progress, secondly, the aspect of labor, and thirdly, the aspect of productivity. Labor is the original and only true foundation of all property. All men should have the possibility of



advancing the social condition by their labor. All men should have the possibility of gaining property. Furthermore, all property should be based on the active use of that property, that is, be actively supervised and used as a tool in the pursuit of profit by the owner. Property is a means of individual action, and if an individual does not employ his capital but let's someone else do that, he is not laboring with it. This leads to the notion of productivity. Private property should be used on production of improvements of land, infrastructure, productive forces or the general improvement of the community. (Smith 2005, 8, 9, I.x, 105; III.i, 308-309; III.ii, 315; IV.ii, 363-364; IV.ix, 548; V.i.iii, 606.) These considerations can be formulated as the second principle of the Smithian perspective: Private property is the product and means of individual liberty to profit from the improvement of the methods and tools of labor and of the increase of available resources. Private property implies the ownership of the active agent.

Third concept is free trade. Smithian conceptualization of free trade implies firstly, barter and exchange of the products of labor, and secondly, the relation between towns and the agricultural areas. In Smith's system of natural liberty, the most essential kind of trade is that between the town and the country. The improvement of country implies the improvement of available resources and of a secure food supply and for these reasons the improvement of the agricultural areas is prior to the improvement of cities. Cities rely for their subsistence and resources on the country. The better supplied the cities are, the better their capacity of progress. This progress must always be reflected in the corresponding improvement in the life of the agricultural areas. (Smith 2005, III.i, 307-9; IV.ix, 559.) The third principle of the Smithian principle follows from these considerations: free trade is such exchange between different people both nationally and internationally that is founded upon the simultaneous improvement of the cities and the town that supply them with their food and resources.

Put together, we have the following principles that define the system of natural liberty:

1. The principle of interdependence which is primarily embedded in the need of approbation as the ultimate foundation of moral action.
2. The principle of private property founded upon the following definition: Private property as the product and means of individual liberty to profit from the improvement of the methods and tools of labor and of the increase of available resources. Private property implies the ownership of the active agent.
3. The principle of free trade defined as such exchange between different people both nationally and internationally that is founded upon the simultaneous improvement of the cities and the town that supply them with their food and resources.

## 4. CIVILIZATIONAL DISCOURSE

### 4.1. Discursive Practices

The purpose of this chapter is to provide a basis for an analytical conceptualization of the *civilizational discourse* which is the analytical framework of the conceptualization of neoliberal civilization. I am intending to outline the characteristics of this discourse based on two cases, colonialism and war on terror. Discursive practice is a Foucauldian concept. It entails the notion of discourses as “*domains within which power and authority are conferred on some and denied to others*” (Shapiro 1981, 140). According to Hall, discourse in commonsense language “*is simply a coherent or rational body of speech or writing; a speech, or a sermon*”. But the concept also entails a system of sense-giving where in particular bodies of discourse only certain models of reality are approved off. Subjects to these systems are subjects to the reproduction of norms, customs, culture, and manners of thinking that define their social relations. (Hall 2007, 56.) Similar kind of definition of discourse is given by Ernesto Laclau (2005, 68, 72): “*Discourse is the primary terrain of the constitution of objectivity as such*”, it is the device of constructing (social) objects as if they would possess real existence in the real world.

Chapter is divided in two main sections. First one deals with the conceptual history of civilization. It also includes two sections where the purpose is to emphasize that civilization is primarily a qualitative concept which describes the qualities of *an ideal* system – not a real system. From the domain of ideals and language, civilization can gain admission to the real world in only one way – by becoming an attribute of *a real* system which is represented as *the ideal*, thus, by way of representation. Theoretically, there is a second way. That would require an explicit definition of those ideals that civilization entails and the transformation of that explicit formula into a political system. The second main section of this chapter deals with these issues with help of the aforementioned cases of civilizational discourses.

In my interpretation, discursive practices are embedded in two primary domains, the internal and external domains. The internal domain of discourse consists of epistemological, normative and ideological premises; conceptualization and representation of truth, which define a discipline, profession, or in broader sense, which define a sociopolitical system. The external domain might also be called the political domain of a discourse. It refers to the institutional, organizational and systemic dimension of a discourse, or, to the actual practices of it. The political dimension has to do with this external manifestation of internal domain of a discourse. In Foucauldian terms, the

dialectics of the interplay between the internal and external domains could be called ‘rules of formation’, or ‘conditions of existence’ (Shapiro 1981, 135).

This distinction between the internal and external dimension of a discourse is based on Michael Shapiro’s explanation of Foucault’s spatialization metaphor developed in the context of politics of medicine. According to Foucault, there are three spatializations of a disease. The primary one is about its relation to other diseases. The secondary about its position in body. The tertiary spatialization is about the sociopolitical positioning of a disease in the medical system of administration, cures and caring, i.e., within the external or institutionalized framework arranged to deal with it. This does not, however, mean that all institutions and social arrangements have been built upon an independently and objectively constructed system of knowledge. The development and birth of these foundations also is contingent upon its social context embedded in political rationales and use regulated by ‘rules of formation’ (Shapiro 1981, 135, 144-5, 149.)

Foucault’s conceptualization of discursive practices entails an approach to systems of knowledge present in discursive systems of everyday life which emphasizes the political nature of these systems. No dominant discursive practice, say, within medicine, is independent from the institutional or external domain where the discourse is situated in. The implication of Foucault’s analysis is that all knowledge is relative to its social function, its social purpose, and its social ends. In medicine, the institutional knowledge, or the medical discourse, has its abode in medical schools, pharmaceutical interests, and an interpretation of health that is intertwined with these external aspects of it. Hence, discourses, by providing a set of rules and classifications, create objects or phenomena, to which subjects of a given discourse relate their actions. Objects also define social relations by assigning people who fit into a particular object with different responsibilities and roles. Thus, discursive practices are political practices. (Shapiro 1981, 135-6, 144-151, 199.)

In *Language and Political Understanding. The Politics of Discursive Practices* (1981), Shapiro applied Foucault’s discourse analysis to develop a method of political inquiry. Shapiro’s intention was to go deeper into the realm of politics by founding the principles of his approach on the notion that social scientific knowledge is generated within the confines of the political sphere of interests and power. The case is different in natural sciences, where phenomena or objects are clearly distinguishable from other forms by their external features, whereas in social sciences, phenomena spring out from human action. In creating models of nature, natural scientists can resort to quantifiable features of an object of inquiry. In social sciences, such object do not exists. Hence, models “*also have an ideological content; they contain ideas about how political relationships*

*ought to be structured.*” This brings in the discussion of the selection mechanism of discourses. (Shapiro 1981, 194-6, 218.) Shapiro (1981, 196) writes:

The discussion of the selection of analogical models thus return us to the control dimension of discourse elaborated in chapter 5, for to select an analogical model is to place some aspects of interpreted experience in a field of discourse that elaborates that interpretation. Once this is done, the discourse itself takes control in the sense that the meaning of the phenomena under consideration develops only within a discourse, and its relation with other phenomena are constituted within the discursive field.

Selection of discourses takes place within what Shapiro calls the cognitive map of political culture. It is based on the interior domain of discursive practices, which, in a sense, may be referred to as the boundaries of acceptable and socially useful classifications, norms, rules and practices. ‘Acceptable’ and ‘socially useful’ refers to the patterns of dominance which define what is useful and acceptable from the perspective of its social constitution. (Shapiro 1981, 184, 186, 218.) Wallerstein’s (1991a, 72-75) interpretation of the development of Western epistemology as a parallel process with the birth of the capitalist system supports this claim. These considerations lead Shapiro to urge for an enlargement of the political realm – in order to use language or discourse instead of being used by them (Shapiro 1981, 233).

Conceptualizations and theorizations of civilizational discourses have been made with in for example Christina Rojas’ *Civilization and Violence* (2002), Wendy Brown’s *Tolerance as/in Civilization* (2004), and Robert van Krieken’s *The Barbarism of Civilization* (2009). Michael Mann and Carey Watt (2011) have studied civilization in relation to colonialism and post-colonialism. In his notable work, *Eastern Origins of the Western Civilization* (2004), John Hobson offers a comprehensive approach to the formation of the Eurocentric civilizational discourse of self-identification and self-justification.

A common theme in these interpretations is the relations between the uncivil and civil. That implies the creation of two distinct and opposite objects, ‘us’, ‘civilized’, in contrast to ‘them’, ‘uncivilized’, and the charging of corresponding duties and roles for respective group. According to Wendy Brown (2004, 56), “*a civilizational discourse simultaneously marks off the civilized from the uncivilized and establishes the supremacy of the West as a civilization*”.

## **4.2. Civilization**

### **4.2.1. On Conceptual History**

Civilization refers to high ideas and brave destiny of the human race (Febvre 2009, 114). It is a

normative concept used to legitimize current state of affairs, cultures, political systems and world views (Patomäki 2012b, 254)<sup>24</sup>. It is a conceptual and psychological link between peoples of the past and present, who share the millennial legacy of millennial of inventions and ideas (Hayek 2006, 25; Wallerstein 1984, 162). Civilization is the destiny for all humanity, presenting an image of most of the good things that we hitherto have accomplished to create shared by the whole planet (Febvre 2009, 107). It is also a descriptive concept, sometimes linked to culture, but always to the present condition of peoples from different areas and different cultures. Plural civilizations do not exclude the normative underpinning that particular civilizations have towards the 'other', but can encourage clashes between them (Huntington 2009a, 109).

'Civilization' always refers to civilized people, whoever they are (Mill 2009, 67). In its maybe most general meaning, civilization is a form of organized social life, the better organized, the more civilized, which definition leaves space for a plural and descriptive approach (Mill 2009, 69; Williams 2009, 19). But it is also a contested concept, a somewhat vague concept, a broad term and a word that can be bent and used by people according to their own world view (Mignolo 2005, 70; Elias 2009, 185). Civilization is about social reality, where interpretations of what we see and experience, if backed by popular support, help to construct the world according to that interpretation. Thus, civilization, depending on its definition, is a powerful concept that indeed has or can have crucial political meaning not unlike any other political idea (Krieken 2009, 65; Hobson 2004, 190-200). Let us first look at the conceptual history.

In *Keywords* the root word is said to be *civil* from the Latin *civilis*, which meant 'of or belonging to citizens'. Roots for *civilis*, or *civil*, are found in the Latin *civis*, meaning citizen. In this sense, *Civil* was used in English from 15th century (Williams 2009, 19). Other meanings are given by Collingwood. *Civil*: "*becoming or fitting a citizen*", from 1526 onwards; "*well-ordered, orderly, well-governed*", cited 1591-1685; an advanced social condition of an ordered community in contrast to a barbarous way of life, from 1533 onwards; "*educated; well bread; refined and polished*", cited 1567-1704; "*not gay or showy; sober, decent, grave*", cited 1606-1684; "*polite or courteous in behavior to others*", from 1606 onwards (Collingwood 2009, 26, 27).

To 'make civil' or 'to civilize' were derived from *civil*. To civilize is a loan word from Latin *civilizare*, which through French version, *civilizer*, acquired the English form of 'to civilize' or to

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<sup>24</sup> Patomäki is talking about a normative set of ideas and practices that could provide the basis for a global community, a global civilization in singular (Patomäki 2012b).

‘make civil’. According to Collingwood, it was first cited in 1606, meaning “*to bring out of a state of barbarism, to instruct in the arts of life, and thus elevate in the scale of humanity; to enlighten, refine, and polish*” (Collingwood 2009, 26). Another now obsolete sense was the legal one: “*to make a criminal matter a civil matter*” (Williams 2009, 19). From this verb the substantive ‘civilization’ was developed, cited for the first time in 1704 (Collingwood 2009, 25).

First time it was cited in a legal context. It meant “*a law, act of justice, or judgment, which renders a criminal process civil*. After half a century the word began to appear in today’s context. First time of the usage of civilization in this sense is by different authors set at different dates. Lucien Febvre (2009, 94) sets the date of appearance of the French word at 1766, Collingwood, using as his source the *Oxford English Dictionary*, at 1772. The French seem to have been a few years earlier. The word was cited as meaning a condition or state of being civilized, a state of organized and advanced social life. From 1775 onwards civilization designated the action or process of civilizing or being civilized, which according to Collingwood, writing in 1942, was the current meaning of his time. (Collingwood 2009, 25.)

In the second half of 18th century there was some controversy as to the difference between ‘civilization’ and ‘civility’ (Collingwood 2009, 25). Collingwood and Febvre recount the same story about James Boswell<sup>25</sup> and Samuel Johnson<sup>26</sup>. Johnson was preparing the fourth edition of his dictionary, when his biographer Boswell visited him. They entered into a discussion, from which Febvre offers the following quote: “*He [Johnson] would not admit civilization, but only civility. With great deference to him, I thought civilization, from to civilize, better in the sense opposed to barbarity, than civility.*” (Febvre 2009, 96).

Before the 18th century, ‘civility’ was connected with citizenship, and had four meanings related to civilization and culture. Between 1549–1881 it meant freedom from barbarity, until the end of 19th century, “*polite and liberal education, good breeding, refinement*” and the manner of behavior between civilized people. ‘Civilization’ was established in 1790. Collingwood suggests that the reason was the broader and more dynamic meaning of ‘civilization’. While ‘civility’ implied a static condition of being civilized, ‘civilization’ implied also the process of bringing about that condition. (Collingwood 2009, 25, 26.) According to Febvre (2009, 92-130), civility or in French, *civilité*, was a synonym of *politesse*, politeness, replacing the word *courtoisie*, courtesy. The state of civility was

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<sup>25</sup> Boswell, James (1740–1795), lawyer, diarist, and biographer of Samuel Johnson (Oxford Dictionary of National Biography).

<sup>26</sup> Johnson, Samuel (1709–1784), author and lexicographer (Oxford Dictionary of National Biography).

contrasted to lower states of existence, savagery and barbarianism, but it lacked “*the political and human meaning alongside with the human meaning*” entailed in the root-word *civil*.

All civilized people have in common the characteristics of being cultivated in mind and manners, and the link to citizenship and political organization is close. That is also what Thomas Hobbes thought. An advanced system of political governance was the necessary means to raise men from the state of nature, where life was “*solitary, poor, nasty, brutish and short*”. Without political organization, or like Hobbes said, Common-Wealth’s, no peace, leisure and the resulting philosophy would ever have been possible. Brett Bowden concludes his commentary on Hobbes by remarking, that social and political progress precedes all other forms of human cultivation, thus forming the foundation of civilization. (Bowden 2009, 2.)

To conclude, two things need to be noted. Firstly, that the root-word *civil* has a connotation of the political and social, and refers to an organized social life which distinguishes civilized people from barbarians. According to Robert Williams (2009, 19), the early definition and roots of the concept imply that civilization is a condition of organized social life. Secondly, that civilization also refers to a state of being, as expressed in the word *civility*, meaning courtesy. A relevant interpretation of this perspective is Norbert Elias *Civilizing Process: the History of Manners* (1978), relying and developing the ideas in his earlier *Court Society* (1939). Thus, civilization appears as an abstract term, which takes form in a social system, from which it follows that civilization is an ideal, and a system, living up to that ideal. But as it is easy to agree on abstract ideas, it is less easy to agree on actual things, and thus, civilization as a system is a contested concept.

#### **4.2.2. Civilization as a System in the European Context**

According to Hayek, the core values of the Western civilization are “*liberalism and democracy, capitalism and individualism, free trade and any form of internationalism or love of peace.*” These have grown up on the foundations laid by ancient Greeks, Romans and Christianity.<sup>27</sup> The defining element in all of them – individualism, is inherited by us from Erasmus, Montaigne, Cicero and Tacitus, Pericles and Thucydides. Theories of political and economic freedom were reinvented and further developed by 18<sup>th</sup> and 19<sup>th</sup> century thinkers like Adam Smith, David Hume and John Locke. (Hayek 1956, 13, 22.) Similarly, David Held (1987, 15-18) writes that our heritage from the ancient

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<sup>27</sup> The claim that the foundations of the Western civilizations were laid by the ancient Greeks and Romans is contested by some researches. John Hobson (2004, 184, 222, 229) remarks on the Eastern link of Hellenism and further on the Eastern origin of intellectual and scientific findings of the Enlightenment.

Greeks and Romans include the political ideals of equality among citizens, liberty, and the rule of law. It is illustrative that the word 'citizen' is derived from the Latin 'civis'.

In the Athenian city-state there was no division between the concepts of the government and society or the state and society: *demos* had both these qualities - it was a self-governing entity of free citizens. That implied duty to participate. Held quotes Pericles: "*we do not say that a man who takes no interest in politics is a man who minds his own business; we say that he has no business here at all.*" (Held 1987, 15-18.) In *Republic*, Plato made a distinction between the civilized state of being and the uncivilized and barbarian mode of mind in rather similar manner as the definitions of 'civilization' by Williams and Collingwood. I quote (Plato 2002, 268, 269):

And he ends by becoming a hater of philosophy, uncivilized, never using the weapon of persuasion,—he is like a wild beast, all violence and fierceness, and knows no other way of dealing; and he lives in all ignorance and evil conditions, and has no sense of propriety and grace.

The political environment during the Age of Reason was different from the Greek city states. The main body of people was not entitled with the political rights that were conferred to all free men of the Athenian city states. Unlike in *demos*, state and society were separated, which was reflected in the writings of the two founders of modern political science, Machiavelli and Hobbes (Held 1987, 17, 18). French monarchy is a good example of what this division implied. Ludwig XIV who died in 1715 often dedicated with the quote: "*I am the state*". Another example is the power vested in the Catholic Church.

Whereas France had a long paternalist history, England after the Glorious Revolution was a constitutional monarchy, with Scottish, Welsh and English tribes and noblemen balancing each other. England was at the center of maritime connections and its merchants were privileged and well off (Cameron 1995, 151, 152). Moreover, the Jesuit had actively involved them in spreading the information about the Chinese system and its development. In 1687 *Confucius Sinarum Philosophus* was translated with huge influence on Enlightenment. In catholic country with a centralized system of government, which more than the English resembled the Confucian hierarchy of administration, the teachings of Chinese political economy tradition had an impact of the thinking of Quesnay, whom Adam Smith considered as a major theorizer of the Physiocrats (Hobson 2004, 194-196). From these diverse historical contexts two Enlightenments emerged, the French and the British.

In Hayek's interpretation, the French tradition is represented by Descartes, the Encyclopedists, Rousseau, the Physiocrats and Condorcet from France and Hobbes from Britain. The French



tradition is characterized by rationalist pursuit of social ends, planning and big government, that is, “*an absolute collective purpose*”. This, according to Hayek's vision of civilization, presents us with a system that in the long run will destroy the civilizing process, dwelling in liberty and spontaneity. This rational pursuit is by Hayek traced back to Cartesian rationalism<sup>28</sup>. (Hayek 2006, 51-4, 62.)

A clean table for the whole social life would be a destructive and an all-encompassing task. It would probably never be possible for any theory of social organization to obtain such a unanimous acceptance, that vast bodies of men embrace the idea of its benefit and start realizing it. (See Paloheimo & Wiberg 1997, 268-269.) Karl Popper had a name for this kind of social reformers: the enemies of open society. Popper did not accept the rejection of all traditional knowledge. Instead, he turned the attention to the authority of traditional knowledge. If a particular set of knowledge is given an authoritative position because of some external authority rather than the merits of the system of knowledge itself, it must indeed be subjected to criticism if not rejection. Rejection of all traditional knowledge would however be futile. (Popper 1962, 729.)

As for political organization, French rationalist tradition found supporters in the adherents of the doctrine of Mr. Colbert, minister of Louis XIV. Those who today are known as physiocrats (see Febvre 2009, 106; Hayek 2006, 50), were by described Adam Smith as philosophers, “*who have proposed the system which represents agriculture as the sole source of the revenue and wealth of every country.*” In France they introduced the system of central planning and regulation, where merchants, manufacturers and artificers were considered barren and where only the two agricultural classes, the land owners and cultivators, were seen as productive and contributive to the nation's wealth (Smith 2005, IV.ii.ix, 539–541). Smith writes (2005, IV.ii.ix, 540):

Instead of allowing every man to pursue his own interest his own way, upon the liberal plan of equality, liberty, and justice, he [Colbert] bestowed upon certain branches of industry extraordinary privileges, while he laid others under as extraordinary restraints.

The problem with this system, as we saw before, was confined to the central planning, and limits on liberty, but it also entailed the progressive idea, according to Smith, of productive labor, although, as far as it regarded only the agricultural production, “*as the only productive labor, the notions which inculcates are, perhaps, too narrow and confined*”. In spite of this error, the agricultural system “*is perhaps the nearest approximation to the truth that has yet been published*”. (Smith 2005, IV.ix, 533.) Smith's system of natural liberty, I interpret, would regard productive labor and liberty as the two foundations of a civilization.

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<sup>28</sup> I have already commented on this interpretation above in page 44 (Early Enlightenment).

In Hayek's interpretation, the English tradition was represented by David Hume, Adam Smith, Adam Ferguson and Edmund Burke in Britain and in France most notably Alexis de Tocqueville. It continued along the path shown by the ancients, where the organization of social life was based on freedom and participation. Further and most importantly, the social organization leading to liberty and civilization excludes the possibility of designing people's lives from above, according to rational wisdom or within the guidelines set by a supernatural intelligence. Liberty implies the freedom to choose one's ends in life and decide what is best for one-self. The creation of social institutions is thus a process of learning the best habits in a process of trial and error. (Hayek 2006, 50–54.) This is illustrated by Cato, who when talking about the Roman constitution, stated it was superior to all others – we are quoting Hayek's (2006, 52) quote from Cicero - because it was

based upon the genius, not of one man, but of many: it was founded, not in one generation, but in a long period of several centuries and many ages of men. For, said he, there never has lived a man possessed of so great a genius that nothing could escape him, nor could the combined powers of all men living at one time possible make all the necessary provisions for the future without the aid of actual experience and the test of time.

Hayek interprets, that the French Enlightenment made a grave error in looking for political civilization in organization, which resulted in "*highest degree of interference by public power*" (Hayek 2006, 50). As a result, strong governments may emerge, individual liberty may be limited and the *Road to Serfdom* prepared (Hayek 1956, vii). Hayek's claim finds some support in the origin of the French physiocrats: according to Smith it was the French minister Mr. Colbert who came up with the idea (Smith 2005, IV.ii.ix, 540) - an administrator who wanted to administer more.

In consequence, civilization as a system became an object of dispute at the very of naturalization of the concept. There was however agreement on one thing: material progress and civilization belonged together. Physiocrat Baudeau stated in 1767, that the cultivation of land is an important step towards "*the most perfect form of civilization*". For Guillaume-Thomas Raynal, writing in 1770, it was trade that first brought people together, then clothed and finally civilized them (Febvre 2009, 106). Smith wrote his *Wealth of Nations* in 1776, only a few years after the appearance of the concept of civilization, that by commerce and division of labor, a civilized nation can achieve such a state of material comfort that while supporting a numerous group of people living in leisure and indeed in excess, the poorest of all can easily arise above the condition of anyone among savage nations, if "*he is frugal and industrious*", (Smith 2005, int. 9, I.ii, 18, I.iv, 29). According to John Stuart Mill, civilization entails political, intellectual and material progress: political, in the sense of extended co-operation; intellectual, in the sense of diffusion of knowledge; material, in the sense of empowering and raising the masses (Mill 2009, 68–72). In his *Civilization* (2009 [1836], 69), he

concludes, that “*there is not a more accurate test of the progress of civilization than the progress of the power of co-operation*”, on which claim most academics agree – because of its rather abstract nature.

For the Enlightenment writers, the idea of being civilized meant intellectual progress, material progress, cultivation of manners, rejection of violence and security. But there was no agreement on what kind of system would correspond to these ideas features of a system of social organization. Apparently, this circumstance had two consequences. First, it led to the development of an anthropological or cultural conception of civilization. In Lucien Febvre's words, these plural civilizations “*were more or less heterogeneous and autonomous, and conceived of as the attribute of so many distinct historical or ethnic groups*”. (Febvre 2009, 106-8.) Secondly, in my interpretation, it contributed to the birth of politics of representation in the context of civilizational discourses characterized by the claim of correspondence between *a system* as featuring the civilizational ideals.

#### **4.3.3. Ideal and Reality**

In spite the conceptual link between 'civilization' and 'civil', that is well-ordered, educated, refined, and polite, not all progress of civilization brought these things along – demonstrating the gap between an ideal and practice. As early as in 1776, Adam Smith lamented the effects that “*every improved and civilized society*” has on the majority of population, which had nothing to do with the meaning of 'civil' in any other than material sense. This is caused highly specialized labor in industrialized countries, which render an individual, to borrow Marx (2010, 313), “*a living appendage of the machine*”. (Smith 2005, V.i.iii.ii, 637.)

Because of the uniformity of the simple operations assigned for the factory workers, and because of their little leisure, the poor laborers were deprived of any possibility of intellectual development. As far as this situation applied on major part of the population, it was a mental massacre. In consequence, Smith thought, obligatory public school system was necessary (Smith 2005, V.i.iii.ii, 640). I quote (Smith 2005, V.i.iii.ii, 637-8):

The man whose whole life is spent in performing a few simple operations, of which the effects, too, are perhaps always the same, or very nearly the same, has no occasion to exert his understanding, or to exercise his invention, in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become. The torpor of his mind renders him not only incapable of relishing or bearing a part in any rational conversation, but of conceiving any generous, noble, or tender sentiment, and

consequently of forming any just judgment concerning many even of the ordinary duties of private life. Of the great and extensive interests of his country he is altogether incapable of judging; and unless very particular pains have been taken to render him otherwise, he is equally incapable of defending his country in war. The uniformity of his stationary life naturally corrupts the courage of his mind, and makes him regard, with abhorrence, the irregular, uncertain, and adventurous life of a soldier. It corrupts even the activity of his body, and renders him incapable of exerting his strength with vigour and perseverance in any other employment, than to which he has been bred. His dexterity at his own particular trade seems, in this manner, to be acquired at the expense of his intellectual, social, and martial virtues. But in every improved and civilized society, this is the state into which the labouring poor, that is, the great body of the people, must necessarily fall, unless government takes some pains to prevent it.

Karl Marx fully agreed with Smith. According to Marx, an especially grievous case of human degeneration was that of the printing machine, spreading knowledge and enlightenment by suffocating the spiritual life of its workers. Before the invention of printing press, all workers of the letter-press had an extended period of apprenticeship, and they were all required to be able to read and write. That changed dramatically. Marx (2010, 313) writes:

All this was changed by the printing machine. It employs two sorts of labourers, one grown up, renters, the other, boys mostly from 11 to 17 years of age whose sole business is either to spread the sheets of paper under the machine, or to take from it the printed sheets. They perform this weary task, in London especially, for 14, 15, and 16 hours at a stretch, during several days in the week, and frequently for 36 hours, with only 2 hours' rest for meals and sleep. A great part of them cannot read, and they are, as a rule, utter savages and very extraordinary creatures.

I am not implying that Smith would not have been a friend of freedom. Even when he discusses the expenses of the state, from where the above quote is taken, he comments, that public schools must be partially paid for by the parents of the children, in order to keep the teachers responsive to their tutees (Smith 2005, V.i.iii.ii, 640-2). This goes back to what Smith wrote in *Theory of Moral Sentiments*, and what I interpreted as a principle of interdependence embedded in social and emotional interdependence. Interdependence in this sense exerts a positive influence on the character and application of self-interest by causing actions and morals to become socially reflective.

Economic power is as much power as political power. It may be argued that in a democracy, economic power might develop into a major fountain of political power. In a totalitarian system all power sources should be under the influence of the ruling elite. In democracy, however, the diffusion of political power and the dependence of the government on elections may give rise to this situation. Namely, if the voting majorities are dependent on a few for their livelihood, if only a few control the ownership of not only the productive forces but also the production and diffusion of

information and knowledge, the interest of these few will be freed from the bonds of Smithian interdependence. Self-interest among the elites becomes easily corrupt paving the way for a system of relentless domination. This would not only be contradictory to Smithian system of natural liberty but also the Swedenborgian conceptualization of freedom. This conceptualization of freedom is based on the separation of love to rule and possess for the sake of love of ruling and for the sake of possession implying, on the contrary, love to rule and gain possession as means to be of service.

Another often quoted friend of liberty, John Stuart Mill, was neither convinced that 'market civilization', to use Gill's conceptualization, would correspond to the ideal of civilization. The discontent with civilization, according to Mill, lie in the loss of an individual, and the victory of trivialities. Civilization tends to "*to raise the plains*", create powerful masses, and while doing nothing to lower the eminences, it becomes at each stage of further progress more difficult for an individual or an idea to influence the masses no matter the merits he or it might possess. Individuality, merit and true substance are lost in the masses. Superficiality and quantity replace the substance and quality not only among the traders, but so in journalism, literature and science. Moreover, civilization brings about mental degeneration. The civilized condition of material comfort and surplus are causes of indolence, soft characters inclined rather to pleasures of body than to arduous efforts and long-lasting hardships. As the individual is lost, the public opinion takes the rear, filled with nonsense and superficiality. (Mill 2009, 72, 78, 81.)

Among traders, the degeneration of what is 'civil' caused by the progress of civilization entails the loss of relations of trust, and the substitution of quality-work with brands and images. For example, in small cities, the producers gained the respect from their consumers with each well done job. To this applies an old proverb, quoted by Mill: "*good wine needed no bush*". But in bigger cities good wine needs bush. There are shops at every corner, and most of the customers who today visit the shop when passing by, may never again return. The masses flouting past the entrepreneur are all his customers, but he himself is no longer the trusted provider of good service, but one of many. This change in the condition of trade changes also the nature of the service. The main issue is not to provide good service, but to sell. Mill did not say anything about loss of morality, nor analyze the effects of loss of social relations on the effects of self-interest, but following the Smith's argument on that, we can use Mill's example to support Smith's claim on morality: if unbound by a process of social learning guiding the search of personal admiration, self-interest may lose one its most beneficial qualities. Mill does, however, insinuate that the relation between the trusted seller and the content customer becomes perverted. (Mill 2009, 78.) But let Mill speak for himself (ibid.):

Success, in so crowded a field, depend not upon what a person is, but upon what he seems: mere marketable qualities become the object instead of substantial ones, and a man's labour and capital are expended less in doing anything, than in persuading other people that he has done it...- Quackery there always was, but is once was a test of the absence of sterling qualities.

Thus, the “*assertion that the individual pursuit of self-interest within the free markets may allocate resources efficiently from society's viewpoint*” (Begg et al. 2005, 10) seems to apply only on providing food and development for a few, but degrading major part of the population into a state that little corresponds to the idea of civilization. Hence, I interpret that Smith regarded 'civilization' in the light of material progress, and in the light of the potential that this material progress creates. But as the above accounts illustrate, material progress in itself, nor free trade in itself, does not yet produce a civilization, nor any progress whatsoever as far as the broad meaning of 'civil' and 'civility' are concerned. It seems correct to assert, as the Swedenborgian and Smithian perspectives suggest, that liberty as such and in itself is only a potential of becoming a good individual, and as far as society is concerned, of building a good society. Left to itself and unbound by the Smithian interdependence nor guided by any inner aspiration of love in the Swedenborgian sense, condition of individual liberty is prone to allow for the degeneration of moral sentiments (Smithian sense) and transformation of creative and useful love into the destructive and corruptive love of power and domination (Swedenborgian sense).

European and world history has surprisingly little to do with civilization, that is, a civilization that corresponds to the ideas defining the concept. However, 'civilization' in a representative sense has, it seems, been in a full political usage, and this politics is mostly about power, domination, possessions, not about performing uses. Next section deals with these issues.

## **4.3. Civilization and Politics**

### **4.3.1. Colonialism**

Civilizational paradigm is of European origin. It was a concept developed in Europe by Europeans to self-identify themselves as the point of reference and standard setter for the rest of the world. Occidental epistemology forms the normative underpinning for the development of the concept and the intellectual justification for later political and economic proceedings (Mignolo 2005, 35). Enlightenment presents itself as the dawn of general human knowledge and an elevation of the whole human existence according to the newly found rationalist principles<sup>29</sup>. Accordingly, despite

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<sup>29</sup> However, it was only a dawn of European knowledge, in China, America, India, and the Middle-East, the barbarian

the diverse interpretations of what freedom and civilization actually mean and a variety of theoretical approaches developed during 17th, 18th and 19th centuries, it was a European discussion – civilization was a normative vision from the European perspective.

The idea of 'civilized us' and the 'uncivilized them' appeared. Other cultures and races were inferior by definitions of race and progress.<sup>30</sup> Europeans, priding them over their knowledge, were not aware of the high level of Asian cultures and the Eastern intellectual debt they owed to them. (Hobson 2004, 183, 186, 196, 199, 226.) European religion and the lack of interdependence between these other peoples and the Europeans may have contributed to this situation. As for religion, there is something sociopathic in the self-image of a person who believes that he is purified by God's mercy and is chosen by Him to kingdom of heaven by virtue of his belief. As for lack of interdependence: it may have been the cause of sentiments of hubris combined with disregard of other 'less developed' peoples and 'pagans'<sup>31</sup>. Large overseas dominions surely increased the feelings of self-indulgency and pride. Hobson (2004, 222) writes:

The Enlightenment was 'schizophrenic'. For its greatest paradox was that while it borrowed and assimilated Eastern (mainly Chinese) ideas – ... – these were then crafted into a body of knowledge that imagined the East as uncivilized and, in turn, led on to the imperial civilizing mission and the repression of the East.

Europe was late to become civilized. Emerging from Dark Ages, Charlemagne's<sup>32</sup> Europe was poor, divided into feudal lordships and lacking in centralized system of governance. By the shift of the first millennia, Song dynasty had commercialized China, which exceeded Europe in every thinkable fashion (McNeill 2003, 122, 123). When Charlemagne was issuing his first silver pennies, China already used paper money. They knew magnetic compass, printing press, paper, gunpowder, metallurgy and their country was rich in both soil and population. The Chinese dynasties ruled over and administered more people than the whole European population, and their dominion extended over an area comparable to that of Europe. (Cameron 1995, 97, 98.) The very means of industrialization, knowledge of coke, existed in China already at the 11th century (Pomeranz 2009, 44). The Islamic Empire build after 600 A.D. had left over independent states and an area of common culture and literacy, where science, trade and wealth were again on higher level than in

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state of knowledge was ceded centuries and millennia earlier.

<sup>30</sup> David Mignolo's studies the case of Latin America (Mignolo 2005) and Robert van Krieken that of Australia (Krieken 2009).

<sup>31</sup> Assuming that God is Love Itself it follows that all men should have been provided with equal possibilities of being joined to Him with the bonds of mutual love. In this sense, the ideas entailed in the word 'pagan' is relevant only from the subjective perspective of a particular creed but has nothing to with the universal system of love which according to Swedenborg is the origin of the natural laws and which is normative framework of individual freedom.

<sup>32</sup> Or Charles the Great, founder of the Carolingian Empire, of which the Holy Roman Empire was built.

most parts of Europe. It was through Arabic merchants that the Italian city-states and the Catholic church could take part in human development from China and the Muslim world owing to them for example algebra and preservation of ancient European literature. (Cameron 1905, 95). In America, Incas and Aztecs were building their empires and the Mayans had already built their temple pyramids. Europe was in no position of advantage.

By the later part of age of Enlightenment, the situation had changed. When the concept of civilization was gaining ground in the late 18th century, Spain, Portugal, Britain and France controlled virtually whole America, Africa was part of the trade triangle and Australia and India brought within the Commonwealth (Cameron 1995, 119, 142, 334). By their seafaring abilities Europeans had gained a position of power even though their capacities were much lesser than those of the collected forces that the Chinese empire could muster. Before the ban on seafaring and foreign trips in 1433, Chinese fleet had six to ten times bigger ships than those used by Columbus and almost three times as numerous fleet as the Spanish Armada more than hundred years later consisting of 317 ships. (McNeill 2003, 166.)

One part of the advantage was the political domination of vast resources and the resulting commercial ties. As for America, that condition was forged by perhaps the greatest tragedy in human history. Multiple nations, entire civilizations were wiped out. Out of an estimated population of 25 million people only a few millions survived the European conquest. The Aztec and Inca civilizations were destroyed. Most of the less developed North American Indian nations were killed and their lands were taken over by European settlers. (Cameron 1995, 121). In Americas, Africa or in India guns had been unheard of. (McNeill 2003, 147). Thus, with military force and pandemic genocide, Europe had secured a leading political position. Huge resources were taken over. From African tribe chiefs, Europeans could buy or plunder slaves. They were brought to work in European mines and cotton plantations in Americas, wherefrom silver and gold went to European expenses. Sugar and tobacco were brought to European consumers, and cotton for European industry. (Cameron 1995, 142). Europeans could enjoy the results of a world economy, based on slavery and expropriation of resources. Krieken (2009, 65) writes:

It is not unfair to say that the ritualized civility of European court society was built on the blood of murdered 'primitives' and bought with the land, labour and raw materials which marauding Europeans plundered from 'their' empires.

Civilizational rhetoric was a way of justifying colonialism and cultural genocide. Australian Human Rights and Equal Opportunity Commission (HREOC) issued a report in 1997 stating that the treatment of the Australian aboriginals falls into the UN definition of genocide, and also raising the



question of cultural genocide (Krieken 2009, 63). According to Hobson, peoples of the world were classified into three groups where the British and Europeans were the highest or the supreme league of nations, where Asians were considered to comprise of the second league, and where Blacks were on the lowest, aligned close to apes. These divisions were based on classificatory criteria derived from five different sources of ideas (Hobson 2004, 223-239.):

1. the theory of oriental despotism: West and the rest, or good 'us', and despotic 'them', especially the Chinese;
2. the Peter Pan theory of the East: displayed Eastern and Southern peoples according to Kipling's lines in his poem *The White Man's Burden*: they were considered half-children, half-devil – the care of whom was the burden of 'us';
3. classification according to climate and temperament: these two were regarded as factors of mental decay, the Asian had thus fallen behind because of both the despotic system of governance and their degenerative climate;
4. protestant Evangelicalism: spiritual salvation of the pagans;
5. social Darwinism and scientific racism.

Racism was embedded in all of them. People with different pigmentation, and of another constitution inhabiting the colonized countries, were classified as inferior in appearance, culture and social life. Blacks were lowest of all, only one step from the apes. At the same time, Europeans forged a millennial heritage of high ideas and good practices within Europe forgetting the Eastern origins of most of the modern innovations and science. The civilizing mission thus granted support for the most inhumane atrocities, violence and neglect of liberty than during any other period of human history. (Hobson 2004, 224, 232, 258-259; Adas 2004, 34.) Hobson writes:

Capitalists would spread the gift of Western capitalism; missionaries would spread the gift of the Christian message of salvation; scientists would further the development of scientific knowledge for all; teachers would spread the gift of European knowledge; bureaucrats would universalise the gift of rational bureaucracy; and politicians would deliver democracy (Hobson 2004, 223, 224).

Hobson's account of slave trade is but too sad – the great leap was caused by the sweat of slaves, trade on humans, expropriation of land and resources with help of Eastern knowledge. In this act, the role left for Europeans was that of a greedy middle man and cruel human trafficker.<sup>33</sup> He argues that slave trade created huge profits which in turn provided capital for industrialization. The income from colonial property was equivalent to about a half of British gross investment. In the beginning of the 19th century, about 60 per cent of British net export was with American slave-based regions and Africa, which supported half of the non-agricultural workforce. Slaves provided raw materials

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<sup>33</sup> However, Cameron (1995, 213-257) in his earlier work does not even mention slave trade in that context.

for the industrialization; *“in the late eighteenth century the proportion of commodities/raw materials produced by Africans in the Americas was as much as 83 per cent (and was still 69 per cent in 1850)”*. Moreover, expenditure on slaves did not only provide the European markets supply of labor and resources. Slaves had to be fed, clothed and provided with tools, which expanded the demand of European goods. Exports to the British Empire was lucrative. Profits corresponded to around 55 per cent of gross British investment. Finally, the massive credit need of slave traders and the colonial plantations boosted the financial system. Slave trade and West Indian trade *“comprised as much as 63 per cent of the total British marine insurance market.”* (Hobson 2004, 257, 266-270).<sup>34</sup>

Hobson's (2004, 272) conclusion strongly contradicts the European pride in the accomplishments of the Western civilization: *“African consumers/producers and Black slaves played a positive and substantial role in British industrialisation”*. Moreover, the dependence of the growth of European civilization on slaves and colonialism is further aggravated *“by the commodification of other Eastern peoples, not least through indentured labour, so as to service Britain's industrial needs”*. What Condorcet wrote in 1787, (quoted from Braudel 2009, 282), does not hold: *“The further civilization extends over the earth, the more one will witness the disappearance of war and conquest, slavery and want.”*

According to Smith, Ricardo, Hayek, and modern economics, free trade is good<sup>35</sup>. According to Hayek, even the poor counterpart will necessarily benefit from trade, or economic cooperation. To quote from Hayek (2006, 44): *“There can be little doubt that the prospect of the poorer, 'undeveloped' countries reaching the present level of the West is very much better than it would have been, had the West not pulled so far ahead”*. But if Western 'pulling ahead' was due to robbery from the poorer undeveloped countries, and their subjection to international capital even today (Chossudovsky 2004; Airaksinen 2003), that claim means: the prospect of those robbed and enslaved to reach the level of the robbers and proprietors will be much better than would have been, had they not been robbed and enslaved.

The relations between centers and peripheries in a capitalist system is an important theme in Marx' work, and work inspired by Marxism, but the problems of free trade are not limited to this kind of

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<sup>34</sup> Pomeranz's account in his *The Great Divergence* (2000, 196) does not emphasize the Chinese influence on the European science suggested by Hobson. The notion of European pre-industrial supremacy is, however, rejected and the impact of slave trade asserted.

<sup>35</sup> With modern economics we can refer to for example the body of economic ideas in the main agreements of the World Trade Organization (WTO), GATT and GATS, which encompass goods, services and intellectual property rights, that is, almost everything that can legally be purchased.

scrutiny (see Chossudovsky 2003; Stiglitz 2004; Patomäki & Teivainen 2003). The grim picture offered by Hobson supports findings by Immanuel Wallerstein (1983), Robinson and Harris (2000), William Carroll (2010), which imply the concentration of wealth to centers and into fewer hands. For this reason, William Robinson and Jerry Harris (2000) speak about 'transnational capitalist class' and Carroll (2010) about 'international capitalist class'.

Although Britain in the early 19th century was beginning to practice free trade, inspired by Adam Smith, it never produced growth among the savages of Africa or the inferior Indians. Instead, outcomes were deindustrialization and reorganization of the old economy for the purposes of the mother country. For African economy it meant producing palm oil, cocoa, gold and rubber for British needs, for Australia it meant wool exports. In Indian case, its cotton manufacture was transferred to Britain, and from an exporter of manufactured goods India fell into the position of raw cotton supplier, who now imported the ready products from mother country. (Hobson 2004, 263-264, 274). This process was not beneficial for the Indian economy, and it caused a human catastrophe as people were left without livelihood. The Governor General of East-India was by Marx (2010, 285) reported as saying in 1834-35: "*The misery hardly finds a parallel in the history of commerce. The bones of the cotton-weavers are bleaching the plains of India.*"

After two centuries, the third world still exists. It is not pleasing to note, that those parts of the world, that we call the third world – most African countries among others, were by the British colonizers included in the third and lowest division of peoples, the group that was set closest to apes. Let the following quote serve as a disgraceful indication (Hobson 2004, 233.):

Comte de Buffon claimed that it was the Hottentot (the Khoi-Khoi of southern Africa) who constituted the missing link between apes and humans. And Buffon's assertion meshed neatly with Edward Long's claim that: 'Ludicrous as the opinion may seem, I do not think that an orang-outang husband would be any dishonour to a Hottentot female'.

Hayek was convinced on the supremacy of core values of civilization, even though our history shows that despite civilizational rhetoric, the outcome had thus far – after centuries of civilizing processes, not been the generation of a one human civilization. That is confusing. Now Hayek was not a historian, nor was his work a study of history. Instead of descriptive studies, Hayek was engaged in normative studies, and openly admitted the political underpinning of his work, at least, as far his *Road to Serfdom* (1956, xxi) is concerned. Thus, while Hayek may be interpreting the history of European civilization at odds with Hobson's *Eastern Origins of Western Civilization* (2004) that is not to say anything about the theoretical value of Hayek's work, as far, as its theoretical conclusion are not based on historical evidence. It also may be true, that theoretical

arguments about 'ought' and 'should' may provide tools for understanding past historical event. But even the contrary holds: history may prove theoretical arguments wrong. The history of colonialism at least would suggest that Hayek's interpretation of the origins of Western civilization were wrong.

Recalling the Foucauldian definition of a discourse as “*domains within which power and authority are conferred on some and denied to others*”, and noting the epistemological aspect of Foucault's analysis (Shapiro 1981, 140; Hall 2007, 56), we can make the following formulation of civilizational discourse based on Hobson's account of colonialism. The epistemological domain of civilizational discourse on colonialism incorporates the Western conception of knowledge as the standard for other cultures and other cognitive systems to take after. Social Darwinism, religion, the idea of capitalist development, and the value of democracy are all traced back to the Western epistemological system, which by its self-justified authority deemed the 'less developed' peoples as if they were in need of rescue. This then leads to the second domain, the external one, which in broad sense could be called the political domain. In this definition of the external domain the focus is on power. To be more exact, however, it may be useful to further elevate the classification into, for example, the organizational and institutional domains and the cultural-ideological domain as the two main external categories of civilizational discourse. The epistemological domain, hence, is the internal domain, and the political, economic, religious, and military forms of 'civilizing' pertain to the external domain with organizational-institutional and cultural ideological dimensions.

To conclude: The idea of Western civilization was deeply embedded in politics. It became a discourse which defined the Western 'us' as civilized, and the Western system as corresponding to the features of a civilization. Simultaneously an idea of obligation, duty and right for political action was incorporated into the discourse, which thus legitimized the diverse forms of political, economic and cultural exertion of power towards the groups composed of the 'others' (Hobson 2004; Adas 2004.) From Swedenborgian perspective, colonization is a manifestation of politics, guided by the evil loves of ruling and possessions. Smithian perspective helps to understand why: there was no interdependence between 'us' and 'them' - relations towards the uncivilized 'other' were left to be guided by the 'partial spectator'.

#### **4.3.3. Clash between Modernity and Medievalism**

After the terrorist attacks on the twin towers and Pentagon, President of the United States declared War on Terror. In his speech September the 20<sup>th</sup> George W. Bush stated, that not only America's freedom was now at stage, but the whole world's. The terrorists were attacking the whole civilization, and the war on terror was a “*civilization's fight*”, fight for all those “*who believe in*

*progress and pluralism, tolerance and freedom*". (Bush 20.9.2001). According to Carey Watt, "*the Anglo-American invasion and occupation of Iraq has encouraged a renewed, twenty-first-century consideration of civilizing missions*" (Mann & Watt 2011, 1). In official government document, the National Security Strategy of the United States of America, issued one year after the attacks, the concept of civilization was again linked with freedom: "*Freedom is the non-negotiable demand of human dignity; the birth-right of every person-in every civilization*". Freedom entails democracy and free enterprise. (National Security Strategy 2002, int. 17). War on terror was thus conceptualized as a war for freedom and humanity, and as such, national interest in oil and US' power politics were explained away. In National Security Strategy we have both a list of definitions for enemies of freedom, the 'rogue states', including totalitarianism, nuclear aspirations and support of terrorism. Moreover, we find a statement of firm belief in the value of markets, and a commitment by US to advance these values (National Security Strategy, 14, 17):

A strong world economy enhances our national security by advancing prosperity and freedom in the rest of the world. Economic growth supported by free trade and free markets creates new jobs and higher incomes. It allows people to lift their lives out of poverty, spurs economic and legal reform, and the fight against corruption, and it reinforces the habits of liberty. We will promote economic growth and economic freedom beyond America's shores.

The civilizational rhetoric from Bush' presidency was continued by Barack Obama. The core values as enlisted in the National Strategy for Counterterrorism in 2011 include freedom and liberty, human rights, good governance, respect of privacy and civil liberties, security and transparency, and the rule of law (National Strategy for Counterterrorism 2011, 4, 5). Obama proclaimed a continued advocacy for civilization: "*We will support policies that lead to strong and stable democracies and open markets, because tyranny is no match for liberty*" (Obama 24.1.2012).

The enemy of civilization is all kinds of totalitarian aspirations. That is not to be confused with the whole Muslim civilization. The argument of clash of civilizations is incorrect (National Security Strategy 2002, 31). The enemy is Muslim extremism, most notably represented by Al Qaeda and Iran. According to Bush (5.9.2006), Al Qaeda kills "*in the name of clear and focused ideology*":

They're driven by a radical and perverted vision of Islam that rejects tolerance, crushes all dissent, and justifies the murder of innocent men, women and children in the pursuit of political power. They hope to establish a violent political utopia across the Middle East, which they call a "caliphate," where all would be ruled according to their hateful ideology. Osama bin Laden has called the 9/11 attacks -- in his words -- "a great step towards the unity of Muslims and establishing the righteous caliphate."

Still other captured documents show al Qaeda's strategy for infiltrating Muslim nations, establishing terrorist enclaves, overthrowing governments, and building their totalitarian empire.

US' Middle East policy is based on universal rights that belong to all peoples from Tehran and Baghdad to Washington. Obama declared his support for Arab Spring claiming that without US and NATO interference, thousands would have been killed. Non-interference by contrast, would have sent message to dictators: who *"keep power by killing as many people as it takes."* (Obama 19.5.2011.) The killing of Bin Laden in Pakistan 2011 was not a decisive victory (Obama 1.5.2011). It was after his killing that a new National Strategy for Counterterrorism (2011, 18) was delivered from the White House stating:

Iran and Syria remain active sponsors of terrorism, and we remain committed to opposing the support these state sponsors provide to groups pursuing terrorist attacks to undermine regional stability.

Iranian threat has long history and its potential is perhaps graver than ever al Qaeda's. Iran is an example of a success in the process of building a totalitarian Muslim state, the first step towards the great caliphate or totalitarian Muslim empire. In 2006 Bush (5.9.2006) described Iran with following words:

And the Shia extremists have achieved something that al Qaeda has so far failed to do: In 1979, they took control of a major power, the nation of Iran, subjugating its proud people to a regime of tyranny, and using that nation's resources to fund the spread of terror and pursue their radical agenda.

Like al Qaeda and the Sunni extremists, the Iranian regime has clear aims: They want to drive America out of the region, to destroy Israel, and to dominate the broader Middle East. To achieve these aims, they are funding and arming terrorist groups like Hezbollah, which allow them to attack Israel and America by proxy.

Iran is dangerous, because unlike al Qaeda, it can build a nuclear bomb. That would be their means to achieve their totalitarian goals. In October 2007 Bush expressed a fear of WWIII that would be caused by a nuclear Iran (Bush 17.10.2007). Later that year, in December, after a new intelligence report was published stating that the Iranian nuclear program had been halted already in 2003, Bush held on to his earlier claims. The shier possibility of Iran possessing the knowledge to obtain the bomb is dangerous, because it can be transferred to a clandestine program. The fact that Iran halted its program is due to foreign pressure, but nothing in evil ideology had changed. Accordingly, *"Iran was dangerous, Iran is dangerous, and Iran will be dangerous if they have the knowledge necessary to make a nuclear weapon."* (Bush 4.12.2007.) In contrast to Bush, Obama doesn't speak about an hateful extremist empire in making but concentrated on the civil rights violations, support of terrorism and totalitarian trends in the Iranian government. The core message however has been coherent since the launch of war on terror: *"Let there be no doubt: America is determined to prevent Iran from getting a nuclear weapon, and I will take no options off the table to achieve that goal"*

(Obama 24.1.2012).

Not only have the highest elected officials of world's leading democracy adhered to this kind of discourse. In the prestigious Time Magazine Iran is pictured in strikingly similar manner. In 2006, Charles Krauthammer<sup>36</sup> claimed that Iran was pursuing nuclear power to create chaos. Why? Because chaos would invite the Shia savior Mahdi to lead the faithful Iranian nation. Thus, Ahmadinejad's Iran needs the bomb to blow it, to wipe Israel out of the map and to create a favorable situation for the construction of a future Muslim state. (Krauthammer 2006, 26.3.)

In *Foreign Affairs* 2011 the threats of a nuclear Iran were analyzed. In accordance with the official political thinking of Bush and Obama administration, a nuclear Iran was depicted as a major destabilizing force in the Middle East. While writers were not talking about totalitarianism and the fundamentalist empire in terms of the Bush administration and Krauthammer's article in Time during his presidency, the tone was similar to that of Obama. Iran is a threat because of its links to terrorist organizations and its political system. The weakness of the political system means that the risk of miscalculations, unauthorized or accidental use of the weapon, is true in Iran's case. Further, if Iran was to get the bomb, it would contribute to a nuclear arms race in the region with perhaps Saudi Arabia wanting to include itself among the nuclear powers. Antagonism between hard line nuclear Iran and the secretly nuclear Israel would destabilize the Middle Eastern region. (Edelman et al. 2011, 66-74.)

During the 67th UN General Assembly session, Israel's Prime Minister Netanyahu gave a speech where he warned the free world of the threat of Iran. He used the same arguments expressed earlier by President Bush and the Time Magazine columnist. Iran stands for the forces of Medievalism, which *"seek a world in which women and minorities are subjugated, in which knowledge is suppressed, and in which not life, but death is glorified"*. Israel, on the other hand, stands for the free civilization. I quote (27.09.2012, Netanyahu):

Ladies and gentleman, the clash between Modernity and Medievalism need not be a clash between progress and tradition. The traditions of the Jewish people go back thousands of years. They are the source of our collective values, the foundations of our national strength. At the same time the Jewish people have always looked towards the future. Throughout history, we have been at the forefront of efforts to expand liberty, promote equality, and advance human rights. We champion these principles not despite of our tradition, but because of them. We heard the words of the Jewish prophets Isaiah, Amos and Jeremiah, to treat all with dignity and compassion, to pursue justice and cherish life, and to prey and strive for peace. These are the timeless values of my people, and these are the Jewish

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<sup>36</sup> Time columnist, neoconservative (Linden 2008, 20).

people's greatest gift to mankind. Let us commit ourselves today to defend these values so that we can defend our freedoms, and protect our common civilization.

These discourses display an identification of the liberal democracies with the idea of a free civilization and the identification of otherness as religiously inspired fundamentalism. September 11 attacks were incorporated into a body of discourse, where states and ideas were classified into different categories according to their relation to the West despite the lack of any link between the attackers and these states. The link was, however, created in the discourse with the connection between fundamentalism and extremist terrorism. The supporters of terrorism were labeled 'rogue states'.

The epistemological domain of this particular civilizational discourse is based on the Western liberal standards of individualism, tolerance, and pluralism. It also implies the Western conceptualization of freedom and individuality as the progressive, modern, and scientific. This is the internal aspect. The external domain includes the economic aspect, free markets; politically, it includes the systemic aspect of liberal democracy; culturally, it includes the aspect of pluralism, transparency, and individualism. The peculiarity with this discourse is the paradox of violent search for peace, which Noam Chomsky fittingly labeled 'military humanism' in his *New Military Humanism: Lessons from Kosovo* (2004a). Without being able to embrace the idea that Iran and other 'fundamentalists' seeks to create chaos, it seems that the terrorists are those who act like ones: that would seem to include both United States and Israel, but exclude Iran.

Before conclusion I will shortly comment on two things: the allegedly threatened stability of the Middle East and the self-identification of the West as the 'good' against the Iranian 'evil' (among other 'evils'). It seems that even if Iran would be aspiring for a nuclear weapon – which perhaps is not what a God fearing country would like to do, it just might consider it a question of political stability. My line of thinking is as follows.

What purpose would a nuclear weapon serve? Is it not like a knife or gun in the hands of a thief? It is not meant to be used, but to cause the potential for theft by threat of potential use. On a dark street, faced with a man with a knife, the incentive to give away your wallet is considerable. But if you draw out your own knife and are prepared to use it, and are threatening convincingly, situation will change. The cost of theft would now be much bigger and probably the perpetrator would prefer looking for other people without knives. Does not same hold for the nuclear weapon, or for that matter, the idea of defense forces? Today Iran is the only state in the Middle East that openly antagonist towards Israel and United States and support Palestinian movement Hezbollah, which



also is classified as a terrorist group. For Palestinians Hezbollah, however, stands for freedom fight against the Zionist conquerors and so obviously for Iran too. A nuclear Iran would be a country with the knife. The political situation in region would be changed. It would be more equal, which is good from Iranian and Palestinian perspective, but bad from Israeli perspective. That would also imply an example of an independent Muslim country with power to negotiate and with power to demand concessions. Kaddafi's Libya would probably have rejoiced over such a chance and sought to follow the example. So would Syria, and why not other Muslim countries. Eventually, such a situation would put the existence of Israel as a Jewish state in danger.

This situation would not necessarily mean war. US provide Israel with so many knives that it doesn't need to listen to its counterparts who have no knives at all. If US and Israel were able to lower their demands and objectives a solution would perhaps become possible. But to lose control of the Middle East and its oil reserves does not seem a promising option - nuclear Iran must be stopped.

Secondly, Presidents Bush and Obama are talking about a civilizing mission, they want to save lives and bring democracy and economic freedom. History shows a different story. In South Vietnam, US support held up a corrupt regime with virtually no popular support. Results of its insurgence were according to one estimate half a million civilian deaths in Vietnam. US bombings in Vietnam on a limited area top the total bombings of the WWII. As a result of bombing of Cambodia, the notorious Pol Pot came to power. At the same time in Latin America, the democratic government of Allende was overthrown in a CIA coup and the bloody dictator Pinochet could assume power. (Robertson 1975, 269, 271, 276, 284-291, 293.)

Taliban rule in Afghanistan was also of Western origin, triggered by US insurgence during the 1980s in what then was a communist country. Later, during the War on Terror, thousands were killed again. According to Wallerstein, wars on Afghanistan and Iraq resulted in destruction of infrastructure, building of training camps for terrorists, civilian deaths, destroyed economy and the opening of Afghanistan for drug business again after Taleban rule. (Wallerstein 2004, 30, 31.) It appears quite schizophrenic that what is identified as a fight for free civilization, which during the Cold War was against the Communist enemy, and during the War on Terror against the fundamentalist enemy, has brought along chaos, destruction, death, and resulted in dictatorships, civil wars, extremists and a more instable world. According to Chomsky, schizophrenia is explained by political motivations, the aspiration for hegemony or the US Imperial Grand Strategy (Chomsky 2004b, 21-23).

This short treatise may suffice to show the relevance of civilizational paradigm in world politics and to demonstrate the striking similarity between the usage during colonization and today. Like Carey Watt argues, War on Terror and the attacks on Afghanistan and Iraq, were legitimized with the discourse of civilization. Iraq and Afghanistan were portrayed as inferior and dangerous. The Iraqi and Afghan people needed the help of the international community to rise from the subjugation of their evil leaders. (Mann & Watt 2011, 2.) Quoting from the *Independent Panel on Canada's Future Role in Afghanistan*, Watt writes:

The Taliban-led 'insurgency', meanwhile, is characterized by its 'proven brutality'. Conversely, the American and ISAF counterinsurgency is led by progressive forces, 'including most of the great democracies', that seek to support Afghans in their quest for 'the democratic rule of law and the full exercise of human rights'. (Mann & Watt 2011, 2.)

#### **4.4. Conclusion**

The purpose of this chapter was to specify the analytical framework of the conceptualization 'neoliberal civilization'. Theoretically, this conceptualization is based on the essentially Foucauldian discourse analysis, and has been applied by various researches for analysis of the colonial discursive practices of civilizing missions (Adas 2004; Hobson 2004; Mann & Watt 2011), on the formation of cultural and political identities (Rojas 2002; Mignolo 2005), and by Brown (2004) to conceptualize the liberal idea of tolerance within the framework of Western sense of supremacy. The interrelation between the Western notions of progress, development, and individuality with the capitalist system, analyzed by Wallerstein as a capitalist civilization, is acknowledged by most of these writers, but Wallerstein also incorporated this notion in the world system analysis implying especially in his *Unthinking Social Science* (1991a) the emergence of global capitalism as a general and unitary paradigm with deep epistemological roots in the Western/capitalist history (see also Santos 2007). As far as representation of the capitalist system as the unitary, all-inclusive and progressive form of social organization is concerned, the analytical framework employed in Stephen Gill's (1995) conceptualization of 'market civilization' is based on the Foucauldian discourse analysis combined with Gramscian theory of capitalist hegemony.

However, neither in Wallerstein's theory, nor in the above conceptualizations of civilizational discourse, has the concept been theorized *per se*. Rather, Wallerstein's approach uses civilization as perhaps a more inclusive term for the capitalist world system without conceptualizing on civilizational discourse. This approach, I interpret, is biased in favor of Wallerstein's own epistemological background in the tradition of historical materials which renders it unnecessary to

consider the discourse of civilization as something distinct from the rationales of the capitalist system. To lesser degree, same holds true for Gill's (1995) analysis: Gill sets the civilizational discourse within the framework of the tradition of historical materialism.

It seems, then, that civilizational discourse as a comprehensive attempt of not only defining the relations between 'us' and 'them' but also of producing the interior identifications and cognitive systematizations within the system or among 'us' may have received less attention. Despite the already existing conceptualizations of discourses and the abundant application of that analytical framework on a number of objects, I cannot help thinking that civilizational discourse as a manifest thing in international politics *and* in international political economy entails a logic that is best expressed in the idea of civilization as a general human destiny for the whole globe. If this is the case, then, neoliberal civilization is not merely a phenomenon of international political economy but part of a process of broader scope where Chomsky's (2004) Imperial Grand Strategy also pertains. This means that civilizational discourse in global politics *and* in neoliberal international political economy is the outward manifestation that support and legitimize a system of authority or domination on global scale, which also implicitly follows from Shapiro's political analysis explained with a few words in the introduction to this chapter.

In an attempt to conceptualize civilizational discourse as a particular type of discourse, we are encountered with the striking intolerance and a sense of supremacy imposed by oneself on oneself that both cases of colonialism and fundamentalist threat expose. The external manifestation of civilizational discourses take the form of legitimate war fare, justification of slavery and other practices that are represented as part of a civilizing missions or a responsibility of the free and civilized peoples. Thus, these discourses create objects or classifications strictly from the perspective of another object, be it a political system of liberal democracy, or an advanced and progressive system of the white man. These classifications impose responsibilities and duties, on one hand, to conquer, to democratize, to liberalize, to colonize, and on the other, to give in, to acquiesce to the influence of civilization.

Hence, civilizational discourse has a manifest political underpinning deeply vested in the political structures and partial interests of a *dominant* group. Civilizational discursive practices do not have the function of furnishing a peaceful coexistence according to mutually defined classifications of what is the best way of doing that, but rather, as the case of colonialism and War on Terror show, civilizational discourses produce relations from a confined perspective of one party, the dominant

one. Without a dominant position of the self-justified civilization in relation to its 'others', its external manifestation could not be that of imposing its civilizational demands on them.

The interior domain of civilizational discourse relies on religious, scientific, and cultural, and political denominations of knowledge, which is represented and qualified as *the* knowledge corresponding to the ideal features of things that pertain to civilization. The exterior domain relies on the situation of these discourses within the political and economic systems of the world. This imposes the right and duty on some systems to civilize or protect civilization, on others, the duty to become civilized. In conclusion, it seems that civilizational discourses are embedded in the social ends and rationales of dominant political and economic systems.

According to Shapiro (1981, 225), "*a discourse can be understood in terms of both the control it vests in various person or practitioners and in terms of its exclusivity, that is, in terms of who is excluded from control*". In similar manner, civilizational discourse can be understood in terms of control it exercises in terms of political ideologies, actors, and systems that both set the boundaries for the acceptable and useful and declare a responsibility towards these ideologies, actors, and systems to protect them and to advance their influence. Civilizational discursive practices are political practices of worldwide extension. The following is an attempt to define civilizational discourse with for analytical observations:

1. The interior domain of civilizational discourse: epistemological standards of 'true', 'modern', and 'scientific' knowledge that are seen and represented as pertaining to civilization and which bar out alternative epistemological conceptualization and world views as 'medieval', 'barbaric', 'fundamentalist', 'unscientific', and as opposed to the standards of civilizing knowledge. The interior domain of civilizational discourse creates new objects according to the civilizational standards (i.e. the White Man, the Despot East; liberal democracies, fundamentalism).
2. Exterior domain: location of these discourses in socioeconomic and cultural-ideological systems within a civilization (e.g. the Western civilization), and secondly, within the sphere of influence of these systems in relation to other, less civilized, antagonist, or threatening systems. The exterior domain creates the subjects of the civilizational standards (European colonial powers, China; US, the Western states, Iran, terrorists).
3. The control mechanism or the steering method for choices of new/alternative/transformational discourses is embedded within the interior and exterior domains of a civilizational discourse as its political culture. Control mechanism is intertwined with the structures of power and system of social cohesion, which form the frames for useful, acceptable and beneficial discourses from the perspective of existing power systems and systems that build and construct the social cohesiveness of societies. (From Marxist perspective this would be the control of productive forces and the internal and antagonist class structure).
4. Civilizational discourses attempt to hegemonize the fate and direction of interregional regions from the particularistic perspectives of dominant political systems.

## 5. NEOLIBERAL INTERNATIONAL POLITICAL ECONOMY

### 5.1. Neoliberalism

#### 5.1.1. Capitalism, Class and Neoliberal Globalization

This chapter deals with one system that is being represented as civilizing and that has a global reach: the system of neoliberal international political economy. I will go forth from the perspective of analytical conceptualization of international political economy. Hence, my concern will be on three points: Ideas, structures and institutions, and actors, which (i) constitute the rules for individual and collective economic activity, which (ii) set out the institutional framework for that activity to take place, and which (iii) control the available resources for individual and collective economic activity.

It goes without saying, that there are a variety of ideas concerning political economy. But those ideas, which (i) define the rules for individual and collective economic activity, which (ii) set out the institutional framework for that activity to take place, and which (iii) define the control the available resources for individual and collective economic activity - those are the ideas of neoliberalism. The rules of individual and collective activity are the rules of free markets; rules that define the institutional framework are defined by economic rationales; rules that define the control of available resources are based on the ideas of private property and liberalization. Hence, neoliberalism appears as a hegemonic idea. (Teivainen 1994, 115; Plehwe et. al. 2006, 1-5; Harvey 2007.) According to Robinson and Harris (2000, 40-1, 48-51), global political system can be characterized as hegemonic in Gramscian terms: there is a hegemonic historical bloc, a 'globalist bloc' that consists of transnational elite with 'transnational capitalist class' in center, whose ideology is neoliberalism.

This chapter is divided into three main sections. The first section deals with the research and interpretations on neoliberalism and international political economy. Two other sections deal with the authentic sources of neoliberal international political economy. First of these deals with the theoretical sources of neoliberalism. The last main section is about the structures and institutional actors of neoliberal international political economy. In conclusion I will provide my interpretation of what neoliberal international political economy is.

The term 'neoliberalism' was coined by Walter Lippman in Paris in 1938 *“to herald the appearance of a new orientation toward the previous liberal tradition”* (Horn & Mirowski 2009, 161).

According to Sousa Santos (2007, 4, 5) neoliberal globalization was initiated in mid 1980s with the leadership of Ronald Regan in US and Margaret Thatcher in Great Britain. The trend in political economy had begun earlier during the Nixon presidency with US adoption of floating exchange regime in 1971. A definite land mark might be in 1973, when the Chicago Boys<sup>37</sup> began their neoliberal experimentation in Chile, or at latest in 1979, when Thatcher got elected in Britain. (Patomäki 2009, 423-433; Harvey 2007, 22, 24.)

There is abundantly of research on the hegemony or predominance of neoliberalism, and I dare say – not many would deny this position of neoliberalism (Gill 1995; 1998; 2011; Robinson 2005; Harvey 2007; Patomäki 2009; Plehwe and Mirowski 2009; Carroll 2010). It appears as if since the election of Ronald Regan in 1980, no single president of United States has opposed the discourse of freedom that prevails in the West which succesfully combines the idea of individual liberty with neoliberal political economy but also with the superiority of the Western political system. The discourse of freedom and pluralism allocates rights and duties on those and only those who acknowledge not only these values but who seek to become part of the system of politics and economy of the free civilization. War on Terror is one the most heinous implications of this. George Bush junior, - the fundamentalist, started this war, and Obama, - the humanist, continues it (Bush 4.12.2007; Obama 24.1.2012). (See Harvey 2007, 22-25.) As for freedom and economy, huge economic power is vested in financial institutions and corporations, who are all connected in their aspiration to create a market society, or rather, to deepen its grip on the world (Gill 1995, 402-3; Robinson & Harris 2000; Carroll 2010, 39, 40).

What does hegemony imply, and why is neoliberalism hegemonic – to these question we have different answers. These answers are ultimately about the purposes of neoliberalism. While rather general agreement as to the broad meaning of neoliberalism exists – a revival of the values of classical liberalism, free markets and limited state interference, the question of its origin is open to dispute. It is especially from Marxist perspective that neoliberal hegemony is interpreted along the lines of class theory. In that context, neoliberal hegemony is a symptom of class hegemony.

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<sup>37</sup> Chicago boys, economists from the Chicago school of economics, who dominated the Chilean economic policy from 1975 onwards (Paramio 2006, 21). In Plehwe's and Milowski's (2009, 158) interpretation, Chicago school of economics is fore-mostly founded upon the values of Mont Pelerin Society, and influenced not only by Milton Friedman, but also by Friedrich Hayek and other scholars sharing these same grounds. Milton Friedman believed, that given the condition of flexible markets, the price mechanism would correct imbalances between supply and demand, and that government interventions would lead to inflation, deeper crisis and inefficiency (Friedman 1975). As this belief is related to classical liberal theory of free markets, or at least, the modern interpretation of the invisible hand, Friedman is also labelled New Classical economist (Begg et al. 2005, 556). In Chile, the Chicago boys reduced public expenses with 27 percentages, halved public investments, radically lowered the import customs and started privatization of public property (Paramio 2006, 21).

Robinson and Harris defined the process of neoliberalization not differently from David Harvey (2007, 16), who defines it as a project of restoration of class power. For Robinson and Harris (2000), this class is the one of transnational capital – a class for itself and by itself.

In William Carroll's *Making of a Transnational Capitalist Class: Corporate Power in the 21st Century* (2010, 19), this interpretation is contested. In Carroll's interpretation, it appears, that this conclusion is derived from an analysis of neoliberal strategies and perspectives, rather than the internal structure of the transnationals. The claim that neoliberal globalization is a class project in a strict sense, would imply two things. First concern is about the class, or what should be called, the ruling elite; second is about the structure of this process of neoliberalization, and the aims of it.

As for elites, Ruostetsaari (2007, 145) gives the following definition “*the essential criterion for the existence of an elite is that it constitutes a cohesive, unitary and self-conscious group*”. If transnational capitalist class was this elite, it would be a cohesive, unitary and self-conscious group. It would not only be a class for itself, and by itself. It would steer globalization for itself and by itself; as a consequence, the resulting capitalist system would be built by this class for itself. These implications follow from a strict interpretation.

These consequences strike us with their Orwellian implications, and as such, are contested not only by common experience of competition and of elections, but also by research. Nordic elite research indicates, that unitary and self-conscious elite does not exist. Firstly, there are various elites, whose cohesion as a group has tended to decrease, and who never have presented themselves as a unitary and self-conscious group. Secondly, the gap between elites and people is rather narrowing than growing. Thirdly, despite the connections between corporate elites and political administration, the latter is not dependent on the former. (Ruostetsaari 2007, 158, 168.) Nordic elite research would rather affirm the prevalence of Schumpeterian system of democracy – characterized by elite competition. Among elite researchers, this interpretation seems to be the prevalent one (see Higley & Pakulski 2007; Higley 2010; Engelstad 2010).

Carroll's findings indicate, however, the existence of a marked elite consensus of neoliberalism. This notion is not contested by research on Nordic elites (see Ruostetsaari 2007, 159; 2003). In contrast, it is affirmed, as far as the existence of neoliberal strategy is concerned (Patomäki 2007; see also 2012), which consensus by David Harvey is traced back to 1947, when the a neoliberal policy agency group, Mont Pelerin Society (MPS) was founded with the initiative of Friedrich Hayek (Harvey 2007, 20). The importance of this group in constructing neoliberal hegemony is affirmed by Gill (1995, 420), and in *Neoliberal Hegemony. A Global Critique* (2006), edited by

Plehwe, Walpen and Neunhöffer.

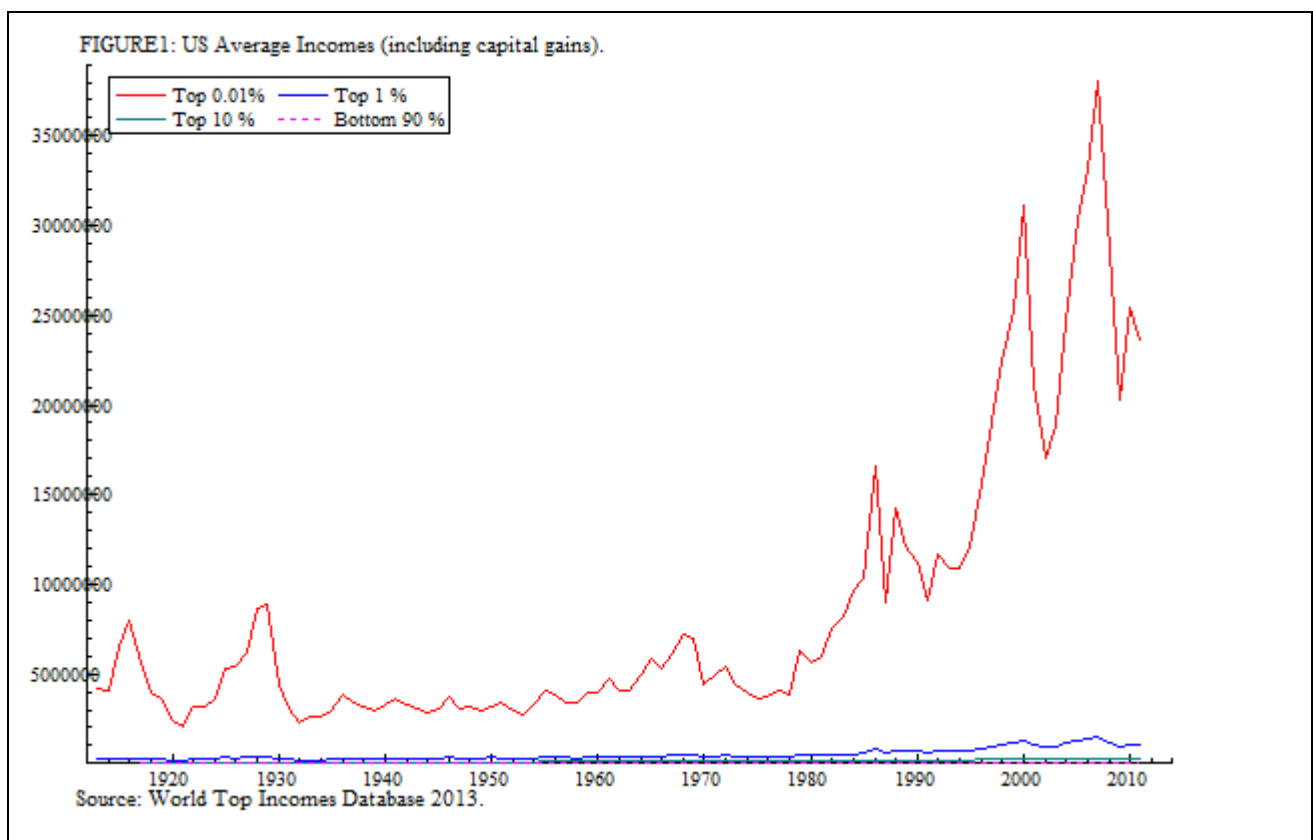
Secondly, if the structure and aims of the process of globalization are derived exclusively from the interest of capitalist class, a logical problem arises. This system, so carefully built, legitimized, and planned for, is bound to collapse by its internal contradictions. It would ultimately dissolve from two reasons. The cohesion of capitalist class is based on class interests, and it is this interest of preserving a dominant position in society, (or in the world), that unites this class. But the constant competition between different owners of capital is in fundamental opposition to each other. Namely, two companies of the same trade are involved in a zero sum game, and hence, where there are multiple actors, the possibility of conglomeration decreases as a result of prisoner's dilemma. Further, conglomeration is against the free trade, and not part of the neoliberal theory. It follows, that if this hegemonic class begins to exert such power over its subjects – the consumers, that their interests are fully neglected, they create an opposition, that is much more united and self-conscious in their struggle against this domination, than the ruling class ever could be.

If this wouldn't happen, it would indicate, that even despite its existence as a class, the transnationals would be held in check by competitive markets. If they in this sense were working against each other, lot of space would naturally occur for other elites to be born rendering the existence of transnational capitalist elite, united and cohesive an oxymoron. Further, assuming that this twofold situation of class power on the one hand, and competition on the other, could persist – it would in the long run tend to form oligopolies and finally monopolies, because this lies in the interest of each capitalist. It follows from the logic of profit maximization. But even this is a logical impossibility. Because, if elites were united as a class, it would be contingent on existence of uniting structures, whether by kinship, secret and non-secret organizations, or by illegal conglomerates. How could any single individual or a minor group from amongst the elite emerge as the ruling one without the knowledge and consent of the others? Each moment when a group or an individual would be approaching the potential of taking over, it would be the common interest of all others to unite themselves against them or him. Hence, the two concepts, capitalism and elite do not seem to confer. I interpret that because of the above reasons, it is not possible that capitalist system would be *the* system, built and steered by capitalists for capitalists.

In Wallerstein's (1983; 1991a, 24-5) interpretation, the birth of capitalist system is a historical process. The notion of historical process leaves structures and actors as less important agents, and hence, leaves space for the idea of contradictions derived from Marx theory, and the conclusion that civilization is in crisis.



From this discussion two conclusions follow. First one affirms the connection between the interests of the wealthiest minorities and neoliberalism. This *connection* is not contested (see Stiglitz 2010; Soros 1998; Harvey 2007; Gill 1995; 2011; Saez 2012; Carroll & Carson 2006; Carroll 2010; Wallerstein 1983; 1991ab; Patomäki 2007; 2009; Chossudovsky 2003; 2010). Contentions start with interpretations of the political meaning of this situation. Figure 1 shows the *connection* between the capitalist system and the economic interests of a minority of US population. The highest line is composed of 0.01 per cent of the US population, and it depicts their average income including capital gains. 90 percent of the population is aligned just above the x-axis. Table also shows the drastic increase in the income share of the one hundredth of one percent of population since Reagan administrations initiated the neoliberalization of US economy in 1980s. Since then, the income share of the minority has been constantly in its own league. We can also note, however, the increased volatility of their incomes. The two markant drops of the top incomes seem to correspond to the dot-com crisis of the late 1990s and the recent economic crisis that began in 2008. Yet, at the lowest phase of the incomes shares have been significantly and higher than at any time before 1980s, and the recovery has been quick.



Secondly, as a hegemonic discourse, neoliberalism steers and guides the process of globalization.

Gill writes: “*With respect to the dominant discursive formation of our time, the neoliberal concept of ‘globalization’ suggests that the privatization and transnationalisation of capital are inevitable or desirable from a broad social viewpoint*”, and hence, neoliberalization is a civilizing process (Gill 1995, 406; also Santos et al. 2007, xix). It is a civilizing process as far as the ideal is concerned. My task in this research is to look beyond and behind the civilizational discourse of neoliberalism.

That neoliberalism can and for analytical purposes should be considered a civilizational discourse, is supported by most definitions of neoliberalism. Apart from restoration of class power (Harvey 2007, 16), neoliberalism is defined as “*range of common principles that form no more than a smallest common denominator*”, underlying the “*superiority of market-driven competition*” as the leading paradigm for human action (Plehwe et al. 2006, 2). By Patomäki (2009, 432-3) it is defined as a “*program of resolving problems of, and developing, human society by means of competitive markets [...] superior in terms of efficiency, justice or freedom, or a combination of them*”; by Gill (1995, 406) as an “*equation of free competition and free exchange (global capital mobility) with economic efficiency, welfare, and democracy, and a myth of virtually unlimited social progress, as represented in television advertising and other media, and in World Bank and IMF report*”, and by Robinson and Harris (2000, 19) as “*globalist rhetoric of free trade, growth, efficiency, and prosperity*”.

All these definitions refer to the discursive element of neoliberalism suggesting, that neoliberalism is best understood as just that: a form of political rhetoric with the aim of legitimizing something else than what is implied in this rhetoric. As far as the structures are concerned, Robinson and Harris (2000, 19) give the following: “*Neoliberalism thus generates the overall conditions for the profitable (“efficient”) renewal of capital accumulation through new globalized circuits, and facilitates the subordination and integration of each national economy into the global economy*”.

In conclude this section with an interpretation of the above discussion:

Ideas which (i) define the rules for individual and collective economic activity are based on the neoliberal discourse, supposed to favor individual possibilities of each and everyone, but seems to favor minorities more than majorities;

Ideas which (ii) define the institutional framework for are based on the prevalence of a market system in allocating resources and organizing economic life. Markets, however, seem to favor minorities more than majorities.

Ideas which (iii) define the control of available resources for individual and collective economic activity are firmly based on the idea of individual liberty and freedom as opposed to suppressive state control, but again, structures seem to favor only a few, and polarization

is increasing within the rich Western areas and globally, as suggested by various researchers (Wallerstein 1983; Chossudovsky 2003; Robinson 2005; Stiglitz 2010).

### **5.1.2. Mont Pelerin Society and Pluralism**

The importance of Mont Pelerin Society (MPS) in formation of neoliberal discourse of civilization is asserted by several researches Plehwe, Walpen and Neunhöffer (2006, 20), Hull (2006, 145), Harvey (2007, 16, 20), Patomäki (2007, 27), Carroll (2010, 205). Plehwe and Walpen (2006, 27-9) classify MPS as a core agency in forging intellectual leadership from within the neoliberal paradigm of the prevalence of free markets, privatizations and limited state interference. The role of MPS is best asserted in the Statement of Aims, wherein in the following points are asserted. Firstly, a firm commitment of the group to the values of classical liberalism – free trade, individualism, and rejection of strong restrictive policies by any government; secondly, that these values are considered as the core values of the Western civilization; and thirdly, that the restriction of these values of freedom is not a question of political inclination, but the future and preservation of civilization. I quote (Mont Pelerin Society 2012a):

The central values of civilization are in danger. Over large stretches of the Earth's surface the essential conditions of human dignity and freedom have already disappeared. In others they are under constant menace from the development of current tendencies of policy. The position of the individual and the voluntary group are progressively undermined by extensions of arbitrary power. Even that most precious possession of Western Man, freedom of thought and expression, is threatened by the spread of creeds which, claiming the privilege of tolerance when in the position of a minority, seek only to establish a position of power in which they can suppress and obliterate all views but their own.

The group holds that these developments have been fostered by the growth of a view of history which denies all absolute moral standards and by the growth of theories which question the desirability of the rule of law. It holds further that they have been fostered by a decline of belief in private property and the competitive market; for without the diffused power and initiative associated with these institutions it is difficult to imagine a society in which freedom may be effectively preserved.

MPS was founded with the initiative of Friedrich Hayek in 1947, who invited economists, historians and philosophers to a Swiss town on the brink of Mont Pelerin. Notable members include Karl Popper, Milton Friedman, James Buchanan, and Noble Prize laureates such as Hayek himself, George Stigler, Ronald Coase, Gary Becker and Vernon Smith. These members have come from a range of different schools of economic thought. Milton Friedman was monetarist (Begg et al. 2005, 556), and is mostly known for Chicago school of economics, and also for the notorious experimentation of Chicago Boys in Chile (Patomäki 2009, 432). Public choice theorist James Buchanan (Paloheimo & Wiberg 1997, 154) served as a president for the society between 1984 and 1986. Stigler was along with Friedman a leading figure of the Chicago school; Coase is known as a

key figure of new institutional economics (The Ronald Coase institute 2012); Becker was awarded with Nobel for applying the logic of economics on almost all facets of human action (Begg et al. 2005, 26); Smith is known for experimental economics (Library of economics and liberty 2012). (Mont Pelerin Society 2012b; c; d.)

This illustrates the wide range of thinking included in what Plehwe and Mirowski (2009) describe as neoliberal thought collective. This variety of neoliberal models has not escaped the eyes of most scholars, although, as Plehwe remarks, there is tendency towards simplifications among especially some leftist group. The alignment of neoliberalism merely with the Thatcherian 'There is no Alternative' (TINA), is one of these mistakes. (Plehwe 2009, 1.)

The neoliberal system of thought has been characterized with different perspectives. In Plehwe and Mirowski (2009), the particular systems follow the lines of different schools of economics which include Austrian economics, Chicago School of Economics and others (see also Harisalo & Miettinen 1997). What appears as a more useful system of classification was first presented by Robinson and Harris (2000), but has since then been used by for example Carroll (2010). In this system, neoliberal approaches are characterized in their relation to the notion of unrestrained markets. Robinson and Harris (2000) were able to distinguish three fractions: the free market conservatives, the neoliberal structuralists, and the neoliberal regulationists; *“all three are neoliberal in that none question the essential premises of world market liberalization and the freedom of transnational capital”*.

The free market conservatives have been by various writers identified as free market fundamentalists with the leading idea, that markets are self-regulatory. According to Stiglitz (2004, 45, 264) IMF was at least formerly under the influence of this fraction (Soros 1998, xxiii; 2010, 16)<sup>38</sup>. Second fraction is composed of neoliberal structuralists, who *“want a global superstructure that could provide a modicum of stability to the volatile world financial system, adjusting the Washington consensus without interfering with the global economy”*. And finally, neoliberal regulationists call for a *“broader regulatory apparatus that could stabilize the financial system”*, and tackle social and environmental issues in order to secure political stability. In 2000, the structuralist fraction was considered the most influential. (Robinson & Harris 2000, 43.)

In conclusion, neoliberalism is not a single set of ideas. It rests firmly on the ideas of freedom, individualism and free markets, as stated in the statement of aims of Mont Pelerin Society. It seems

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<sup>38</sup> Soros, philanthropists and formerly a leading financier, not a scholar.

true as Harvey suggest, that this kind of pluralist hegemony is not easily substituted with a democratic alternative. Neoliberalism is a reflective hegemony, it does offer a single set of positive truths that concern all matters, and thus, as new concerns arise, neoliberalism hegemony can produce viable solution to new problems, including global economic instability, speculation, financial market problems, and environment.

## 5.2. Neoliberal Discipline: Hayek, Friedman, and Mises

I will now begin the treatment of authentic ideas and structures of the civilizing mission of neoliberalism. As far as the neoliberal theory is concerned, Friedrich Hayek and Milton Friedman are it hard-core developers. Harvey (2007) and Patomäki (2009) also emphasize the authoritarian nature of these theorists, and call their version of neoliberalism for 'political' neoliberalism. (Plehwe & Walpen 2006, 27; Gill 1995, 420; Harvey 2007, 20; Patomäki 2009, 433.) Hayek or Friedman, however, do not represent *all* neoliberal thinking. Their version of neoliberal pluralism can be studied as a representative cases of neoliberalism inasmuch as we focus on the common grounding of the set of theories that constitute neoliberalism. This section is about neoliberal idea, but does not represent all different fractions of it.

In his *Road to Serfdom* (1956, 13, 22) Hayek enumerated the core values of the Western civilization: “*liberalism and democracy, capitalism and individualism, free trade and any form of internationalism or love of peace*”. The times were turbulent, when this book was published for the first time in 1944. Second world war against the Nazi tyranny was still going on, and other half of the world was gripped with the totalitarian system of Soviet communism. For this reason, three years later when MPS was founded, its statement of aims was began with the words - “*The central values of civilization are in danger*” (Mont Pelerin Society 2012a).

General Agreement on Tariffs and Trade was signed soon afterwards, in 1946 (WTOc 2012), but it was not until the 1970s that civilization of freedom had began to emerge from oblivion. The intellectual battle between Keynesian state interference, communism, and social democracy, was over in 1979 when the Iron Lady was elected to lead her country towards the bright future implied by the idea of civilization. During a party conference, it is reported by Miller (2010, 2), Thatcher took from her brief case Hayek's *Constitution of Liberty* exclaiming: “*This is what we believe*”.

Hayek's *Constitution of Liberty* (2006) is all about liberty, about the meaning of it, about the rules that comply with liberty, about systems that do not comply with it... At the same time, it is a book about civilization, because there is no civilization without liberty, and if there ever has existed

civilizations suppressive of liberty, these have either fallen, or the progress of them has been able to occur because of freedom in spite of attempts to suppress it.

This section is comprised of three parts. I begin with the creative powers of free civilization, because it is within this idea that the connection between civilization and freedom is built on. Two following parts treat the central ideas of neoliberalism - free markets and private property. Without the ideas of diffused power and initiative associated with private property and competitive markets *“it is difficult to imagine a society in which freedom may be effectively preserved”*(Mont Pelerin Society 2012a). (Plehwe et al. 2006, 2; Patomäki 2009, 432-3.)

### **5.2.1. Creative Powers of Free Civilization**

Men have not deliberately created civilization. This notion underlies the research program of spontaneous-order tradition in liberalism represented by Mises (1949) and Hayek (1988). It strives for understanding how social systems are born from a process of trial and error. (Horwitz 2004, 228, 241.) Men have not deliberately created civilization, it has come about by two processes. First process is the creation of knowledge and experience, embodied not only in what we read in books, but also *“in the habits, conventions, language, and moral beliefs”* comprising of our social environment and our place and time in history. They are never products of one generation. Thus, the process of civilization denotes *“the transmission in time of our accumulated knowledge”*, but it has a second aspect – that of taking stock on the accumulated pool of past inventions. This second process is about *“the communication among contemporaries of information on which they base their action”*. (Hayek 2006, 22-25.) Hayek (2006, 24) writes:

The growth of knowledge and the growth of civilization are the same only if we interpret knowledge to include all the human adaptations to environment in which past experience has been incorporated.

Men have not deliberately constructed civilization, because they can't have. Human knowledge is limited to knowledge of choices, but the knowledge of ends and purposes is possessed only by each individual. General ends that would apply for all humans do not exist. It is for this reason, that Hayekian conception of progress is based on the notion of evolution and spontaneous order. (Hayek 2006, 30, 34, 54-8; Mises 1949, 4-5, 15; Mises 1957, 311, 330.) This epistemological notion is by Mises (1957) by Campbell (1988) and Hayek (1988) conceptualized as evolutionary epistemology. In Hayek's *Road to Serfdom* or *Constitution of Liberty* key concepts of epistemology are spontaneous order and evolution, but not evolutionary epistemology. It is much more concurring term in his latest work, *The Fatal Conceit* (1988). Perhaps the most basic insight of this tradition is

expressed in these words by Hayek: “*the evolutionists made it clear that civilization was the accumulated hard-earned result of trial and error*” (Hayek 2006, 55, 56).

This idea of evolution is embedded in individual liberty, which developed from Christianity and ancient Greek and Roman philosophy with the main notion that all men are themselves the best judges of their tastes and views and should possess the supreme authority thereof. It was thanks to “*undesigned and unforeseen*” effect of political freedom that the economic freedom soon sprung out of the Italian commercial cities spreading first to Europe and later during the late 17<sup>th</sup> and 18<sup>th</sup> centuries “*to the West and East [and] to the New World*”. This individualist revolution provided growth that surpassed all expectations showing the creative powers of free exercise of human ingenuity. In matter of only one hundred years the Western world had “*reached a degree of material comfort, security, and personal independence*” that earlier had seemed rather impossible. (Hayek 1956, 14-17.)

Mises goes even further by providing a thorough treatise on the epistemology of science in his *Human Action, A Treatise on Economics*. Mises claimed, there can be no such thing as normative science of what ought to be. We can only rely on the individual value judgments and reach the objectivity of knowledge in the subjectivism of each person’s choices and value judgments, which information is mastered in the market place. Mises calls his general theory of human action for praxeology, of which catallactic (from catallaxy) or economic science is one branch. (Mises 1949, 3, 21.) Hayek writes:

It is now often said that democracy will not tolerate “capitalism”. If “capitalism” means here a competitive system based on free disposal over private property, it is far more important to realize that only within this system is democracy possible. When it becomes dominated by a collectivist creed, democracy will inevitably destroy itself. (Hayek 1956, 69, 70.)

What our generation has forgotten is that the system of private property is the most important guaranty of freedom, not only for those who own property, but scarcely less for those who do not (Hayek 1956, 103, 104).

Thus, dispersion and accumulation of knowledge are contingent on condition of liberty as general principle of human action. It follows, that restrictions to individual liberty are not to be accepted, not even for such good causes as equality. Demands for social justice are chastised by both Hayek and Mises. Demand for social justice in capitalist society is the result of lack of knowledge in economics among the common men, and the quite natural habit to compare one’s position to one’s fellows, with envy eyes, if the other is better lotted with utilities unattainable for oneself. This natural habit however, may become a ground for political movement against liberty, if not restricted by the knowledge, that one’s situation is the result of acting both with “*the opportunity and the*

*burden of choices*". Different story emerges when governments take actions to guide the economic life. As "*liberty and responsibility are inseparable*", government stake in managing human action will both tend to lower the sense of responsibility for those, who are successful, and for those less successful, it creates incentive to blame others. Further still, it tends to discourage active participation and is in this manner working against the creative powers of the spontaneous order. (Hayek 2006, 62, 73, 82.) Thus, Mises claims, demand for social justice, and socialism is not based on knowledge, "*that socialism will improve their conditions*", as little as the rejection of capitalism is based on knowing, that it is based on expropriation. Instead, they believe so, "*because they are blinded by envy and ignorance*". (Mises 1972, 34, 36.)

Civilization, Hayek writes in the first chapter of *Road to Serfdom*, is in continuous state of progress, but at times, due to our choices, that progress can be halted and even turned backwards. The process of devolution culminating in WWII was begun well before totalitarianism became a real threat. It was caused by rejection of the basic values of "*Western civilization*", 18<sup>th</sup> and 19<sup>th</sup> century liberalism, represented by for example Adam Smith, and individualism, which has even deeper roots going back to Greek and Roman philosopher and democratic leaders like Pericles. (Hayek 1956, 10, 12, 13; Hayek 2006, 37.)

The same line of thinking that is begun with *Road to Serfdom* is followed in his two subsequent books elaborated from slightly different angles. Thus *Constitution of Liberty* elaborates the prerequisites of the institutions that according to Hayek would provide a continuous progress of free society or the basic foundation of civilization. Moreover, *Constitution of Liberty* is by far the most extensive of these three works and entails only a more detailed expansion of the same themes. In *Fatal Conceit*, a great deal of importance is given to the evolutionary approach, which is elaborated in detail and with historical examples the purpose being to show the creation of capitalism and progress in a spontaneous process, not by design. This last book by Hayek is aimed at an utter and final rejection of social planning, which is called the fatal error of socialism. (Hayek 1988, 12, 15, 19, 24.)

What fatal conceit of the social planners is based on, is a misunderstanding of the nature of knowledge and hubris, extreme arrogance over one's mental capacities - "*intelligent intellectuals tend to be socialists*" (Hayek 1988, 53; Hayek 2006, 21, 25). For such noble ideas as social justice and equality the masses are led into repressing the freedom of minorities which in turn leads to the stagnations, halt in the constant state of progress so natural for a free society and soon to the psychological change in people's minds that begins to succumb into mental laziness and lack of



initiative that soon turns free men into an obedient mass: “*A Rawlsian world could thus never have become civilized*” (Hayek 1956, 147-151; Hayek 1988, 74; Hayek 2006, 19, 44). Knowledge, says Hayek, can never be mastered by a single mind as well as the centuries long chain of cooperation created in a free society, like we saw in the quote from Cato (2006, 50). Cato commented on the Roman laws, that no single individual, nor groups of wise men, could never have designed such a system of laws as was produced in cooperation over centuries and over generations.

But this is what collectivism implies. It means choosing one collective end to replace the thousands of individual ends. It also means, that these few individuals claim the possession of superior knowledge of the lives of other people, and even of the things to come. Instead of that substituting individual ends with imaginations of a few, state agencies are faced with a fundamentally different kind of duty - that of “*creating conditions under which the knowledge and initiative of individuals are given the best scope so that they can plan most successfully*”. (Hayek 1956, 35). Collectivist road is different. Let Mises' keen expression provide a description (1957, 61):

Collectivism is a doctrine of war, intolerance, and persecution. If any of the collectivist creeds should succeed in its endeavors, all people but the great dictator would be deprived of their essential human quality. They would become mere soulless pawns in the hands of a monster.

Civilization results from evolution of human knowledge, habits, languages, words, religions – all those attributes of human existence which tend to rise the power of cooperation, increase mutual trust, and invite new innovations, and support the imitative learning and testing of old. It is only within the framework of individual liberty, protected by the state and guarded by constitution, that this process is kept alive – if we were not believe in messengers for super-human authorities. It implies a condition for material progress, but also a state of mind and mental habits of a free people, which cannot exist without each other. Depriving men their freedom in economic issues, that is, taking away the various forms of cooperation and possibility to do whatever please to better our situation and alter our environment to serve our interests – depriving people their liberty - will put an end to the maximum use of our human capacities and unless god ascends from the heavens and instated a divine dictatorship. (Hayek 1956, vii, 206; Hayek 1988, 7; Hayek 2006, 47-48, 92-97.)

This applies generally. It does not only reflect the Western history, but is true for all human societies: civilizations are born as the result of extended order of human cooperation in form of trade. Even if the most advanced form of this system is the Western one, the Egyptian civilization bears the same mark: “*We also know that the economy of predynastic Egypt was firmly based on trade*”. Despite insistence of our historians, claims Hayek, to concentrate on the achievements of

states, we cannot disregard the meaning of the extended order. Thus, the true civilizational masons are those who “*created the wealth that made the monuments possible*”. (Hayek 1988, 33, 38, 39.)

History of the past civilizations also shows for Hayek the danger looming in the disguise of social justice and social planning. In *Fatal Conceit*, reason for the decay of the Egyptian civilization is said to be the repressive character of the fifth dynasty. More recently during the Middle Ages, China fell behind Europe for this very same reason. (Hayek 1988, 33, 44, 45.) Thus, progress in freedom is conducive to the birth of any civilization. The evolutionary forces of liberty represent the universal civilizing process (Hayek 2006 24, 25, 32). Hayek writes (Hayek 2006, 47):

We may regret, but cannot disregard, the fact that even where different civilizations are still preserved and dominate the lives of the majority, the leadership has fallen almost invariably into the hands of those who have gone furthest in adopting the knowledge and technology of Western civilization.

In conclusion, the principle of liberty is the general rule of all human action, not only for individual and collective economic activity. In *Constitution of Liberty*, Hayek objects to the use the concept of economic liberty, because “*it has become a common practice to disparage freedom of action by calling it economic liberty*”. (Hayek 2006, 32, 34.) The principle of liberty also implies, that the control of all available resources for individual and collective economic activity should be based on private interest.

### **5.2.2. Free Markets as Mutually Beneficial Exchange**

In Mont Pelerin's statement of aims (2012), the value of private property in competitive markets was clearly asserted, but is also, and with as clear words asserted by individual members, Friedrich Hayek (2006, 84-5), Milton Friedman (1979, 13-4) and Ludwig von Mises (2006, 8). It is for this purpose that Friedman hails Adam Smith for his notion about the free markets, that guide each man in his activities in such a way, that both his own best interests and those of everyone else are served – in cooperation (Hayek 1988, 6; Friedman 1979, 51). This is due to price mechanism:

Prices perform three functions in organizing economic activity: first, they transmit information; second, they provide an incentive to adopt those methods of production that are least costly and thereby use available resources for the most highly valued purposes; third, they determine who gets how much of the product—the distribution of income. These three functions are closely interrelated. (Friedman 1979, 14.)

The general argument in favor of free markets is known for most of us, and in its mathematical simplicity it has the position of a leading dogma in modern economics. Free markets is supposed to serve as a link between all people engaged in economic activity. Markets not only transfer information from the most distance places, incorporating data of labor costs, access to raw

materials, local conditions of production, and indirectly, data of local economic development, social conditions and many other things in one single place – markets. In *Free to Choose* Milton Friedman (1979, 11-2) uses this kind of arguments as one important reason for the efficiency of markets, and to argue for its non-substitutable benefit. Namely, there is no other way of incorporating information about productive costs, access to material etc. from all over the world to produce one commodity. This is especially true for technological commodities. Yet, even many of the more simple commodities are products of many different and specialized production lines from materials originating very seldom from a single municipality or even state.

Besides this aspect of information, free markets also tend to be the most effective means of resource allocation and manner of dividing the aggregate production of peoples. Namely, in competitive markets everyone is remunerated according to the service their render for the rest (Friedman 1979, 14; Mises 2006, 8; Hayek 1988, 7; 2006, 84-5; Horwitz 2004, 241). In his *Theory and History*, Mises (1957, 38) goes so far as to claim that the evolution of forms of trade has occurred with the birth of civilization. This idea is not unfamiliar neither to Hayek (2006, 48, 146), in whose theory the spontaneous order of liberty is the fundamental foundation upon which civilization is built; or rather, vice versa, the foundations of freedom have come up as an “*artifact of civilization*”, that is, from an evolutionary progress.

There is no way in the theoretical model of free markets that one person could gain the position of an 'expropriator'. The primary reason is, that each and everyone is dependent on others. By markets, even the richest capitalist is fully dependent on the consumers, the true kings of the market place – if markets are free. (Mises 1957, 114; 2006, 1-2; Hayek 2006, 104-8.) In non-free markets, the true king can either be a monopoly or a state. While even monopoly is dependent on the consumers, consumers are also dependent upon the monopoly, and this is inimical to freedom, and what is inimical to freedom, will in the long run tend to undermine the existence of civilization itself (Hayek 2006, 46-8, 117-120). If the consumers have no other way of getting their food-stuffs, they must accept the prices of monopoly, unless, they revolt, and seize the delivery system. Same holds for public monopoly.

Thus, companies are dependent on the consumers. If they fail in delivering good service, they fail. But same hold for all individual members of the society. When all person are dependent on the markets for their subsistence, it doesn't mean, that they are dependent directly on their employers. They have the possibility of choosing other jobs if they are not satisfied with what the company, that satisfies their own fellows – the consumers. But even more importantly, the existence of

markets means, that all individuals are dependent on the service they may render for their fellows. This service must be exchangeable, that is, valued by their fellows, otherwise it will not be remunerated, and lack markets price – even if it is possible that a lot of work has been put into it. It follows, that different kind of work are differently valued, and that different quantities of labor are not directly linked to this value, as measured in the markets. (Hayek 2006, 70, 82-3; Friedman 1979, 13, 22; Mises 2006, 2.)

Thus, labor can in no measure be considered the true value of a thing, and value theory of labor has nothing to do with effective and useful services rendered for the society. The effectiveness and usefulness is measured by no other thing than by the choices most people make in their daily lives in the markets. Hence, the Smithian (Smith 2005, I.x, 105) claim that labor is the original foundation of all property can be accepted only with qualifications. And the criteria for those qualifications are not be found in some abstractions about productivity. Rather, what must be considered, in a free society, is the service rendered for the rest of society, a kind of service people are willing to pay for. This of course requires labor, but labor is not the origin of value. Hence, the classical notions, presented by already Locke (1823, 2: IV, §30), developed further by Ricardo, and in the most notorious manner – from this perspective, by Marx, are fully wrong (Skousen 2006, 51-56; Rothbard 2006, 88-93). Hayek (2006, 83) writes:

Our problem is whether it is desirable that people should enjoy advantages in proportion to the benefits which their fellows derive from their activities or whether the distribution of these advantages should be based on other men's views of their merit.

Two conclusion follow. One is about the means of price mechanism, more specifically, about money. Other is about the extension of markets, that is, about international trade. The information of things is collected in the market price of things, and thus, all things are valued with this tool of measure, money. Money has been the means of exchange since the the division of labor, when barter was no longer an exchange between two persons. In these by-gone times one person produced most of the things in his usage by himself, and if he needed something else, he changed it two one his own products. But as soon as people no longer produced most of the things themselves, but concentrated on producing lot of one of relatively few commodities, most of which they themselves did not need, they needed two things: firstly, what might be called the infrastructure of trade, and secondly, a means of exchange. The former means either an merchant, whose particular trade is to facilitate exchange, or marketplace, where most of goods are gathered and exchanged. The latter means money, which can be exchanged for all goods. Potatoes, for example, could be exchanged with very limited number of people, and only in limited quantities with each of them.

But to use money, all of the potatoes can be changed in large quantities, and then sold by people, whose particular trade is selling them.

The quantity of money cannot be fixed by anything else than the demand of money. It lacks any value in itself, and its apparent value is relative to the goods it can be exchanged to. Increase in quantity of money, given that all people have enough of means of exchange, always will increase the nominal prices of each goods. Hayek (2006, 284) and Friedman (1979, 252-3) are both very firm on this. In Friedman's famous words, "*inflation is always and everywhere a monetary phenomenon*". The importance of inflation is highlighted by the following by Hayek (2006, 294):

There is perhaps nothing more disheartening than the fact that there are still so many intelligent and informed people who in most other respects will defend freedom and yet are induced by the immediate benefits of an expansionist policy to support what, in the long run, must destroy the foundations of a free society.

Inflation is not directly caused neither businessmen, worker unions, subsidies, but it is always a result of injection of money into the system, that there does not exist. But these reasons affect indirectly by inducing government to serve the short-term benefits of inflation. (Hayek 2006, 288; Friedman 1979, 252.) According to Friedman (1979) there are two ways for this in United States. Either US Treasury sells bonds<sup>39</sup> to the Federal Reserve, for which it is paid in cash, checks or numbers in its accounts, or US Treasury buys its outstanding bonds from with new bonds. Federal Reserve (Fed) either prints this money, or adds the sum on government's credit account in the Fed. In either case, new money is made out of thin air. (Friedman 1979, 262-7; also Hayek 2006, 284-5.)

Thus, US Treasury receives a loan, and Fed receives an asset. Friedman calls it high-powered, because its value as money is powered by political decision. Fed does not borrow this money from anywhere, it just adds an entry to its books<sup>40</sup> Friedman (1979, 265) writes: "*When the additional high-powered money is deposited in commercial banks by its initial recipients, it serves as reserves for them and as the basis for a much larger addition to the quantity of money.*"

If subsidies, unemployment reliefs, and public investments are not financed with new taxes or cuts in some other spending, then governments will have to resort to selling their treasury bills and government bonds. This extra money – which in reality does not exist, is given to some people, say, the poorer, their spending will have the effect of increasing all prices, because it does in no manner

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<sup>39</sup> Longer-term financial assets; in this context Treasury bond is a loan to government, and an interest yielding asset for the bank (Begg et al. 390).

<sup>40</sup> This practice is criticized not only for creation of new money, but for the fact, that government becomes a debtor for the money that the bank issues. (Chossudovsky 2010, 52; also Norburn & Norburn 1975). In Chossudovsky's interpretation, all of US dollar denominated debt is owned by its own citizens in the form of outstanding treasury bills and government bonds (ibid.).

affect the productive forces of a society, only the amount of means of exchange by some people. As the real life situation behind the injection do not change, the nominal prices will adjust. But before this happens, another effect takes place – if this new injection takes most economic actors by surprise. A new demand is created. It is not created as a result of rise in economic activity, but by a rise in quantity to be spent. This creates a very favorable environment: *“Almost everything succeeds, there are hardly any failures”*. (Hayek 2006, 283, 288-9; Friedman 1975)

No general rise in economic well-being, nor any change in productive environment did, however, occur. But as a reaction to unexpected rise in the quantity of money to be spent, more people are employed, wages rise, more products are sold, perhaps even new factories are built, new products are developed and sent to the markets, where people now buy these new product, because they have extra money, which they use for secondary object. But as a result of this increase in economic output, and economic activity, which at first stage appears as a gift from heaven, the day will come, when prices are adjusted to reflect the rise in demand, and people go back to the habits. (Hayek 2006, 288-9)

This means, that the nominal prices are on a new level, which corresponds to the increase in quantity of this means of exchange. But the relations between producers and consumers are no longer the same. A lot of people have been employed in trades, that without this non-productive injection would not have existed. Too much people are employed in old trades. Too many loans have been given and taken. Too many mortgages are to be paid, but suddenly people realize they don't have anything to pay with, because the demand for their services has not increased. In short, capital had been invested in non-productive objects, and when the situation stabilizes, these investments are realized to be worthy of nothing. (Hayek 2006, 288-9; also Friedman 1979, 309)

Inflation is not the only consequence. A general stagnation of economic activity takes place. Depending on the quantity of injected money, the following crisis will be either mild or severe. Theoretically, it could be possible, that most of capital and production would have concentrated on producing luxury goods and building new houses, but when most people finally realize, that nothing had changed, society is left with huge number of unpaid mortgages and productive facilities for commodities that only a few in reality want to purchase. The economic crisis that follows is steep, and problems difficult to cure: inflation is like going on drugs. (Hayek 2006, 287-9).

To avoid inflation then is essential in order to preserve the benefits of free markets. Any policies that will distort the price mechanism are condemnable. And if a government seeks to objective of full employment, and in crisis increases public spending, if financed with credit created in a this

manner, will only produce a worse crisis. (Hayek 2006, 294.) State can, however, borrow directly from the public, or increase its tax base, writes Friedman in his *Free to Choose* (1979, 264).

According to Joseph Stiglitz (2010), the recent economic crisis was due to political decisions, which favored cheap loans. Consumption was kept up with artificial injections of money – because Federal Reserve kept the interest rates on a low level, and a lot of profits were made by financial institutions. At the same time, huge private debts were created, for which we now are paying. Friedman (1979, 266-7) wrote already in 1979 that the Federal Reserve had mis-conceived its task: Instead of controlling the quantity of money, it interfered in the markets by adjusting interest rates. In Stiglitz interpretation this was made loans very profitable, and as the financial markets were unregulated after 70s, an industry of loans was born. That ultimately led to the recent crisis. This complies with Hayek's (2006, 285) argument, that monetary policy of central banks often are bound to follow the financial policy of a country: because it is an unhappy task for any politician to raise taxes.<sup>41</sup>

In conclusion, free markets can only function if state interventions on markets are kept as low as possible. This, however, will not work, if interest rates are artificially fixed. Loans in modern economy are a very important means of financial activity, which activity ultimately strives for productive investments. But if it is made possible by artificial interest rates and by without regulating the business of making loans, which will naturally flourish in this situation, this will lead to crisis, which will not hit hardest the rich and powerful, but the general well-fare of most people, who have no possibility of gaining from speculation and financial activities. Thus, the making of recent economic crisis is fully against the principles of liberty.

As for international trade, same logic is applicable on international level as on local markets. Free trade is that piece of knowledge among economists which is questioned by hardly anyone, and its origins are firmly found in already Adam Smith (Friedman 1979, 39). Friedman (1979, 51) for example writes:

In a free trade world, as in a free economy in any one country, transactions take place among private entities—individuals, business enterprises, charitable organizations. The terms at which any transaction takes place are agreed on by all the parties to that transaction. The

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<sup>41</sup> This is also behind the fall of Bretton Woods (Hayek 2006, 291). In the fixed rate regime, when one country produced more, and another less, the latter still had to keep a constant rate between currencies, even though their underlying productive relations had changed. This could only be done with increasing the monetary basis of the deficit country, that is, injecting new money into the system. Thus, instead of allowing its currency to fluctuate relative to the more productive country, it needed to either cut its imports from this more productive country by lessening the quantity of money, expand its own export by creating more demand for its products or by devaluation. Governments and US were not willing to none of these steps: which led to the collapse in 1973.(Oatley 2008, 232-5.)

transaction will not take place unless all parties believe they will benefit from it. As a result, the interests of the various parties are harmonized. Cooperation, not conflict, is the rule.

Even though this principle in free trade is simpler than its application of the prices and money, it ought to be addressed with a few words – especially because of the claims of neo-colonialism made by some developing countries. We find a clear refutation of these claims in both Hayek's *Constitution of Liberty* (2006) and Friedman's *Free to Choose* (1979). Hayek's argument heavily indebted to his ideas about the evolutionary process of learning, the benefit of liberty, and the interest of each and everyone of getting cheap products: that is, the most effective allocation of productive forces.

The poor and undeveloped countries receive the free gift of knowledge by allowing free trade. They can reach the same level of development as enjoyed by their rich predecessors without the sacrifice of centuries of time. But we should not only be concerned with this free gift, claims Hayek. This gift is only possible because of division into rich and poor, both locally and internationally, and this is not bad: it allows those with wealth to deploy in further advance, which again will come for the benefit of these poorer. The transfer and learning does not take place in an instant, but much quicker than it would, were the wealthy totally taken away – that is, had they never been allowed to become wealthy, and if they are not allowed to keep their wealth. (Hayek 2006, 42-5.) I quote Friedman (1979, 49, 51):

The infant industry argument is a smoke screen. The so-called infants never grow up. Once imposed, tariffs are seldom eliminated. Moreover, the argument is seldom used on behalf of true unborn infants that might conceivably be born and survive if given temporary protection. They have no spokesmen. It is used to justify tariffs for rather aged infants that can mount political pressure.

I will conclude this section with the concept of 'catallaxy'. It contains the essence of how neoliberals conceive of and present the institutional framework of individual and collective economic activity: the markets. Presumably, it was first used by Mises who preceded Hayek. To my knowledge, Hayek only uses catallaxy in his latest work, *Fatal Conceit* in 1988. Catallaxy is derived from the Greek word *katalattein* or *katalassein*, meaning 'to exchange', 'to receive into community', 'to turn from enemy into friend' (Hayek 1988, 112). It is part of what Mises (1949, 3) called the general theory of human action, praxeology:

Out of the political economy of the classical school emerged the general theory of human action, *praxeology*. The economic or catallactic problems are embedded in a more general science, and can no longer be severed from this connection. No treatment of economic problems proper can avoid starting from acts of choice; economics becomes a part, although the hitherto best elaborated part, of a more universal science, praxeology.



### 5.2.3. Private Property and the Benefits of Inequality

From the perspective of liberal tradition, socialist have failed to understand the underlying social framework of inequality and poverty. Smith (2005, I.v, 31; V.i.ii, 581) wrote that only universal poverty will safeguard universal equality – a claim well approved of by neoliberal theorists. The rise of a few not only mean inequality, but it implies the existence of a few persons, who have the capacity and luck to lead the rest. Hence, their rise to eminence does not mean that others would have less. The contrary hold. The luxuries of these few will tomorrow be the necessities of masses. It follows, that without the possibility to become rich society may cause equality, but also destroy the foundation of the relative wealth it already possesses. Namely, poverty today is nothing but a relative concept. (Hayek 2006, 40-42.)

Equality is needed in one sense: in the equality before the law. The purpose of equality before the law is to safeguard individual liberty, and hence, all claims on equality in possession, social status, and opportunities would bear the cost of infringing the liberty of an individual. This means that *“not only has liberty nothing to do with any other sort of equality, but it is even bound to produce inequality in many respects”*. Hence, the condition of best possible social order is rather akin to isonomia than democracy as rule of majorities. Isonomia means *“equality of laws to all manner of persons”*. Hayek refers to Antique tradition, *“to Herodotus it is still isonomy rather than democracy which is the ‘most beautiful of all names of a political order’”*. (Hayek 2006, 75-7, 144.)

This implies that progressive taxation, different forms of subsidies, public higher education, and strong trade unions are all forms of infringement of the basic principle of civilization. Further, the all these policies tend to increase inflation. Wages, however, are never too low in the condition of free and competitive markets. Instead, with strong unions and subsidies policies, they tend to be too high, which results in underemployment: a general rise in wages can be effected only by barring some workers willing to be employed out of the trade. At the same time, underemployment benefits and other benefits tend to encourage either taxation on those who are working, but mostly on those who provide the capital for employing everyone else, or by injections of new money, or by public loans. All these actions have the effect of curbing economy, and hence, rather than helping the poor, they rather damage the whole society and eventually the progress of civilization. (Hayek 2006, 234, 244, 293, 296, 330-1.) Same interpretation is held by Friedman (1979, 44):

If we want to benefit from a vital, dynamic, innovative economic system, we must accept the need for mobility and adjustment. It may be desirable to ease these adjustments, and we have adopted many arrangements, such as unemployment insurance, to do so, but we should try to achieve that objective without destroying the flexibility of the system—that would be

to kill the goose that has been laying the golden eggs.

In consequence, private property is, like Smith wrote, one of the most sacred laws to be protected by a free society. Not only should the ownership be protected. It is of similar importance to protect the free use of property. Aspiration for equality, then, can only be realized at a heavy and perhaps fatal cost: society should never yield to this kind of demands. Social justice is only a camouflage of envy, and equality a doctrine of destruction. (Hayek 2006, 32-4, 82, 122-4; Smith 2006, II.ii.2, § 2; Friedman 1979, 22; Mises 2006, 26.)

## **5.3. Structures and Institutional Actors**

### **5.3.1. Bretton Woods - Institutions and WTO**

In international economy, the output is generated most notably by the Bretton Woods institutions and the WTO, the regulative system of globalization. According to Kegley and Wittkopf (2001, 249) they stand for Liberal International Economic Order (LIEO) which is based on principles of free markets, openness and nondiscriminatory trade. In economic textbook, IMF, World Bank and WTO are also described as institutions set up as a result of *"collective determination to see world trade restored"* after the setback in trade relations during the inter war period and the Great Depression of 1930s (Begg et al. 2005, 585). Liberalization in trade relations began already between 1840s and 1860s, but like the Great Depression of 1930s, so did the depression of 1870s, along with the competition between the imperialist European states, cause a shift towards more regulatory regimes in particular in Bismarckian Germany. After the WWII the slogan became once again liberalization. (Cameron 1995, 313, 319.) I will begin with IMF, continue with World Bank, and conclude with WTO.

Globalization is a major principle of International Monetary Fund. It means the integration of world's different economies, *"particularly through the movement of goods, services, and capital across borders"*. Globalization is a defining principle and objective, because experience has shown its benefits: that investment, diffusion of knowledge and technology, strong institutions, sound macroeconomic policies, education, and market economy, are the constructing blocks of prosperity. Thus, the common denominator of all progressive – and civilized, countries seems to be *"participation in, and integration with, the global economy"*. IMF promotes global markets and efficiency of global economy *"through competition and the division of labour – specialization that allows people and economies to focus on what they do best"*. (IMF 2012a.)

IMF has 188 member states, which have voting power in relation to their share of IMF's funds. US'

has 16,75 percentages of voting shares being the largest single country. The block of five leading Western countries, US, Japan, Germany, France and United Kingdom, has 37,37 percentages of voting shares. Russia's share is only 2,39 and China's 3,81. (IMF 2012b.) Key IMF activities are (IMF 2012c.):

policy advice to governments and central banks based on analysis of economic trends and cross-country experiences; research, statistics, forecasts, and analysis based on tracking of global, regional, and individual economies and markets; loans to help countries overcome economic difficulties; concessional loans to help fight poverty in developing countries; and technical assistance and training to help countries improve the management of their economies.

The twin of IMF - World Bank, is owned by its shareholders, the 188 member countries, and run by Board of Governors consisting of each member countries' finance ministers. The twin of IMF consists of five organizations: The International Bank for Reconstruction and Development (IBRD), The International Development Association (IDA), The International Finance Corporation (IFC), The Multilateral Investment Guarantee Agency (MIGA), and The International Centre for Settlement of Investment Disputes (ICSID). Opening World Bank's home page, and after clicking on the tab 'about', visitor is faced with a picture of a black woman, staring at the camera with tiresome eyes, and upon that image a written statement: *"Our work is challenging, but our mission simple: Help reduce poverty"*. (World Bank 2012.)

The International Bank for Reconstruction and Development (IBRD) is a major financial market actor. It strives for reducing poverty and promotes sustainable development through *"loans, guarantees, risk management products, and analytical and advisory services"*. IBRD is not a redistributive organization working for reduction of global imbalances. Incomes from financial markets have allowed IBRD *"to fund development activities and to ensure its financial strength, which enables it to borrow at low cost and offer clients good borrowing terms"*. Thus, this kind of financial activities of IBRD are directed towards middle income countries and credit worthy poorer countries. IDA is the second of World Bank's lending facilities. It grants low or zero interest loans to the poorest countries in the world. It supports primary education, basic health services, clean water and sanitation, environmental safeguards, agriculture, business climate improvements, infrastructure, and institutional reforms to *"pave the way toward equality, economic growth, job creation, higher incomes, and better living conditions"*. (World Bank Groups 2012.) These two organizations of the World Bank seem to be truly engaged in a civilizing mission without sarcasm, through granting loans.

The purpose of IFC is to create the framework for growth – the opportunities for people to help

themselves. IFC promotes “*open and competitive markets in developing countries*”, supports private sector, mobilizes finance for private enterprises and helps to “*generate productive jobs and deliver essential services to the poor and the vulnerable*”. This World Bank organization works “*through firm-level interventions*” by promoting “*global collective action; by strengthening governance and standard-setting; and through business-enabling-environment work*”. MIGA’s mission is economic growth, reduction of poverty, and improvement of people’s lives through promotion of foreign direct investment (FDI). The fifth of the World Bank group, ICSID, has the task of arbitration. It “*is considered to be the leading international arbitration institution devoted to investor-State dispute settlement*”. (World Bank Groups 2012.) These three groups of the World Bank also share the common belief in the benefits of open, competitive markets, and their ‘civilizing’ mission consists of promoting both the institutional and economic means for growth, as well as to act as legal authority in case of dispute.

The World Trade Organization (WTO) was formed on the foundation of General Agreement on Tariffs and Trade (GATT). WTO has 155 members, less than the Bretton Woods twins, but so is also its task more extensive in nature, and thus perhaps, it is politically more questionable. WTO forges binding agreements between the contracting partners, whereas IMF and World Bank facilitate the flow of international finances and provide funds. As for today, WTO has 16 multilateral agreements and two plurilateral agreements (signed by only a few members). (WTO 2012b.) WTO is an intergovernmental cooperation organization instead of supranational authority. However, when an agreement once has been made, it will bind the future governments of respective states (Patomäki & Teivainen 2003, 96-97).

The main legal basis consists of trade agreements on goods, services and intellectual property rights. Trade negotiations are based on ‘rounds’. Founded in 1995, WTO is the result of completion of Uruguay Round in 1994, when the revised GATT was adopted together with General Agreement on Trade of Services (GATS), and agreement on Trade Related Intellectual Property Rights (TRIPS). Negotiations of GATS are however not completed yet. As agreed upon in 1995, the Doha Round was begun in 2001, but the pre-crisis political atmosphere could not find enough political support for its completion – a situation likely to change in post-crisis times. With GATT, GATS, and TRIPS, virtually all aspects of life can be commercialized, and trade will be truly open. The mission of WTO is thus, to create “*economic growth and development by reducing barriers to international trade*”, and by promoting “*sound domestic and international policies*” that will make growth and development possible. (WTO 2012 a, b).

### 5.3.2. Regional Structures

Regionalization of the world fits in to this picture. Regional integration organizations work within the overall framework of global integration. Thus, NAFTA, ASEAN, APEC, MERCOSUR, and EU are working on regional level for the same objectives that the GATT, GATS and TRIPS on global level. For example, in Article 206 of the Treaty on the Functioning of the European Union (TFEU) we read the following:

By establishing a customs union in accordance with Articles 28 to 32, the Union shall contribute, in the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international trade and on foreign direct investment, and the lowering of customs and other barriers.

In accordance with the multilateral agreements of WTO, the external commercial policy of the European Union shall strive towards “*the conclusion of tariff and trade agreements relating to trade in goods and services, and the commercial aspects of intellectual property, [and] foreign direct investment*” (Article 207, 1, TFEU). Since the ratification of the Lisbon Treaty, member states no longer have international trade of their own. In Article 207, paragraph 3 and 4, TFEU, we have the following clause concerning the assignment of responsibilities:

Where agreements with one or more third countries or international organisations need to be negotiated and concluded, Article 218 shall apply, subject to the special provisions of this Article. The Commission shall make recommendations to the Council, which shall authorise it to open the necessary negotiations. The Council and the Commission shall be responsible for ensuring that the agreements negotiated are compatible with internal Union policies and rules. The Commission shall conduct these negotiations in consultation with a special committee appointed by the Council to assist the Commission in this task and within the framework of such directives as the Council may issue to it. The Commission shall report regularly to the special committee and to the European Parliament on the progress of negotiations.

For the negotiation and conclusion of the agreements referred to in paragraph 3, the Council shall act by a qualified majority.

In the statement of objectives of the North American Free Trade Agreement (NAFTA), more specifically, in Article 101, the contracting parties state their compliance with the provisions agreed upon within the framework of GATT. In Article 102, the contracting parties are to “*eliminate barriers to trade in, and facilitate the cross-border movement of, goods and services between*” them, “*provide effective protection and enforcement of intellectual property rights in each Party's territory*” and perhaps most importantly in terms of the ‘neoliberal civilizing mission’, to “*establish a framework for further trilateral, regional and multilateral cooperation to expand and enhance the benefits of this Agreement*”.

As for the Association of Southeast Asian Nations (ASEAN), a market place of the size of the enlarged European Union, economic integration has been slow compared to NAFTA and EU, but the direction is same. Written in 1997, the ASEAN Vision 2020 states following general strategies.

Fully implement the ASEAN Free Trade Area and accelerate liberalization of trade in services, realise the ASEAN Investment Area by 2010 and free flow of investments by 2020; intensify and expand sub-regional cooperation in existing and new sub-regional growth areas; further consolidate and expand extra-ASEAN regional linkages for mutual benefit cooperate to strengthen the multilateral trading system, and reinforce the role of the business sector as the engine of growth.

APEC, Asia-Pacific Economic Cooperation, has 21 members, who all joined between 1989 and 1998 including world's leading economies US, China and Japan. APEC works for "*dynamic and harmonious Asia-Pacific community*", guided by the principles of "*free and open trade and investment*", and "*promoting and accelerating regional economic integration*". (APEC 2012.)

In 1990s United States initiated multilateral negotiations for Free Trade Area for Americas, but with no success. However, US has had success in bilateral FTA between for example Chile, Peru, and Colombia, all historically close American allies. In 1980 in Montevideo, the Latin American Free Trade Area (LAFTA) was formed with the objective of creating a Latin American common market. (Déniz 2006, 436-8.) Despite its name, organization has not had lasting success. Today it serves as an umbrella organization, including MERCOSUR, CAN and ALBA-TCP, with very different kind of relations towards free trade thinking and liberalism. In ALBA-TCP for example, the organization between for example Cuba, Venezuela, Bolivia, Ecuador and Nicaragua, communitarian principles and nationalizations are not completely uncommon, and liberalization and commercialization are rejected (ALBA-TCP). CAN is an Andean community, between Peru, Bolivia, Ecuador and Colombia, again with great variation as to their relations with US, free markets and ruling political ideologies. Two of its members, Bolivia and Ecuador, are part of what may be called the chavista block of Latin America (ALBA-TCP). (Ministerio de relaciones exteriores 2010, 26-30.)

MERCOSUR is comprised of four members, Argentina, Brazil, Uruguay and now Venezuela. Paraguay, an original member, is temporarily suspended from membership, which occurrence opened the possibility for Chavez' Venezuela to join. The Bolivarian Venezuela, adhering to some form of market socialism, provides important insight of the nature of this cooperation, which also holds for Latin America in general. Latin American economic cooperation is not following the lines of WTO, even though there are contradictory tendencies, the tendency of state power and political surveillance of economy is strong, in some countries stronger than in other, but generally much stronger than in other integration projects. Further, Venezuela and Bolivia have particularly good

relations with Iran, as well as Brazil, and to lesser extend China and India, who have not joined the US led sanctions against this ‘rogue state’. Thus, only Latin American globalization is working against the civilizing mission on both political and economic level. (Mercosur 2012.)

### 5.3.3. Policy Planning Groups

According to William Carroll (2010), there are five leading international policy planning groups. The oldest one is the International Chamber of Commerce, founded in 1919. Other four are Bilderberg Conference, gathered first time in 1952, World Economic Forum, founded in 1971, Trilateral Commission, 1973 and World Business Council for Sustainable Development, 1995. Two minor global policy groups include the International Advisory Board of the Council on Foreign Relations and UN Global Compact. All these groups provide policy guidelines and a network based framework for global economic and political elites in forging a vision for the peace and development of the world. (Carroll & Carson 2006, 56; Carroll 2010, 180.) In the sense of their goals, they are advocates of a better future for the whole planet professing a civilizational paradigm based on the notions of free markets, liberalization and economic cooperation, which not only serve the interests of capitalists class, but the interests of the whole humanity – the basic argument in any civilizational discourse of legitimacy.

On regional level, we have again various groups of transnationals, like European Roundtable of Industrialists (ERT), BusinessEurope (BE), two European lobby groups, Transatlantic Business Dialogue (TABD) and from US the Coalition of Service Industry (CSI), North American Competitiveness Council and EU-Japan Business Roundtable, all of whom follow the same logic of liberalization, flexible labour markets and competition. Member companies are often members of both the global and regional groups, and they share commitment to WTO’s agreements. (Carroll 2010, 44-45, 181.) Let us first look at the global, then regional groups.

International Chamber of Commerce (ICC) “*considers the integration of business and economic concerns into policy-making*” as necessary feature of a balanced and progressive society, “*where peace and prosperity are a shared objective*”. It is then a policy advocacy group, with membership consisting of CEO’s from world’s leading companies, and main targets being both international forums but also national governments. Providing policy recommendations for United Nations, WTO and G20, it is an important agent of international rule making. (ICC 2012a.) ICC has been publishing widely accepted rules for international trade terms, Intercoms, since 1936, and its banking commission is leading rule making body in banking industry with well over 500 members.

(ICC 2012b). Its' global influence is based on wide membership: With hundreds of thousands of member companies and associations in over 120 countries, its' *"unrivalled access to national governments and top international officials who make decisions affecting corporate performance"*, which open *"the door to the corridors of power"* on domestic level, and on same is true on the international arena, where *"ICC's privileged links with major intergovernmental organizations, including the World Trade Organization, enable the voice of business to be heard at the international level"*. (ICC 2012c.) ICC' policy commissions work in following fields (ICC 2012b):

Banking, commercial law and practice, corporate responsibility and anti-corruption, marketing and advertising, competition policy, electronic business IT and telecoms, environment and energy, intellectual property, taxation, trade and investment policy, customs and trade regulations, and transport and logistics.

World Economic Forum (WEF) *"encourages businesses, governments and civil society to commit together to improving the state of the world"*. Key challenges include *"building sustained economic growth, mitigating global risks, promoting health for all, improving social welfare and fostering environmental sustainability"*. (WEF 2012a.) The Forum's task already for three decades has been to provide assessment on economic policy and productive potential of world's different economies from the perspective of long term development and growth. The *Global Competitiveness Reports* published by the Forum has served as an important tool of policy making. In 2005 World Economic Forum also started to index the level of competitiveness which is seen as a major factor in increasing the wealth of nations (Schwab 2011, 4):

We define competitiveness as the set of institutions, policies, and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the level of prosperity that can be earned by an economy.

The informal meetings of WEF were firstly organized by Klaus Schwab, business policy expert. The yearly meetings in Davos bring together politicians from cabinets of major countries, heads of the global executive and leaders of major corporations. (Carroll 2010, 44.) Like ICC, WEF is comprised of member companies, but its membership base is much smaller, although not less significant. Typical member enterprise has a turnover of 5 billion dollars, and there are 1000 founding members, who form the heart of WEF's all activities, who are the motors of global growth and who are leading market position in their respective field of specialization. In 2007 another group was formed, the Community of Global Growth Companies (GGC), who have the potential of being tomorrow's leading enterprises. As for 2012, this group was comprised of 360 members. To be eligible for the GGC, company must be able to demonstrate annual revenue between US\$ 100 million and US\$ 5 billion. (WEF 2012b). Thus, WEF's is organized around a *"highly elite core"*,



unlike the more inclusive ICC, Trilateral Commission and Bilderberg Conference (Carroll ibid.). WEF is also engaged in leadership education, having close ties with CEIBS, Columbia University, INSEAD, the London Business School and the Wharton School in a program of Global Leadership Fellows Program (WEF 2012c).

The Bilderberg conference is often linked with conspiracy theories, because of secrecy of its meetings and high level attendance of elected government officials. In 2009 and 2010 meetings Finnish finance minister Jyrki Katainen, now serving prime minister, attended the conference. Katainen is also chairman of the Finnish Right, the National Coalition Party. In 2012, the now serving finance minister Jutta Urpilainen, chairman for the Finnish Social Democratic Party, attended the meeting held in United States. (Finnish Ministry of Finance 2012). EU-critical Finnish scholars Ilkka Hakalehto and Veli Karhu regard the group as one form of shadow government, which provides the participant with policy guidelines and recommendations. They even suspect that Finland was chosen as the resort of the 1994 meeting, in which the then serving president Martti Ahtisaari and the prime minister Esko Aho attended, to push the Finnish government in further indebtedness. According to Hakalehto and Karhu, the banking dynasties of Rockefeller's and Rothschild's are behind a major part of loans to world's governments, and Bilderberg group would serve as a link between policy makers and the banking giants. (Hakalehto & Karhu 1994, 68, 72, 73). However, in the official web portal, *"no resolutions are proposed, no votes taken, and no policy statements issued"*. Rather, Bilderberg provides forum for *"informal and off-the-record discussion about topics of current concern especially in the fields of foreign affairs and the international economy"*. (Bilderberg Conference 2012.)

Bilderberg has no guaranteed membership, but it does have a permanent steering committee with 32 members, chairman and member advisory group. Present chairman is CEO for AXA Group, Henri de Castries, member advisory group is comprised of David Rockefeller, and the 32 members include corporative leaders like Jorma Ollila (Royal Dutch Shell) from Finland, financial sector agents like Jacob Wallenberg (Investor AB) from Sweden, Sutherland Peter (Goldman Sachs International) from Ireland, one journalist, Matthias Nass (die Zeit) from Germany, one university professor, and former and serving government officials. Most of the members come from multinational corporations. (Bilderberger Conference 2012.)

William Carroll defines Bilderberger Conference as a consensus seeking forum for neoliberalism (Carroll 2010, 40). In line with Carroll's interpretation, there seems to exist a connection between economic elites and political elites facilitated by Bilderberger Conference. Its corporate basis of

steering committee, and its ad hoc invitations for politicians provides it with good networks and ties with political decision makers as well as policy planning groups and institutional actors of international political economy. A former member of Bilderberger's steering committee, Klaus Schwab, founded the World Economic Forum (WEF). Etienne Davignon who served as European Commissioner for Industry and the Single Market, also used to serve as Bilderberger chairman. He was one of the brains behind European Roundtable for Industrials (ERT), a major European based institutional actor. In 1983, during his post as a Commissioner, Davignon is quoted saying: "*whom do I call when I want to speak to European Industry?*" Finally, more than ICC and WEF, Bilderberg is a Western based group. There are no past or present members from Asian countries, Africa, Russia or Latin America. (ERT Highlights 2012, 7; Bilderberger Conference 2012.)

In 1973 Trilateral Commission (TC) was launched from within the Bilderberg group by David Rockefeller to tackle the relatively narrow membership basis of Bilderberger's. It was directed against the Nixon-Kissinger foreign policy in order to expand the scope of international cooperation. The core areas of world economy no longer were encompassed within the confines of Atlantic and European states but included Japan and the Pacific area. As the first director of TC Rockefeller appointed Zbigniew Brzezinski, a political scientist who had been writing about the rise of Japan and a major international player. (Gill 2012, 512-513.)

Although seeking transparency by providing sophisticated publications and reflecting issues of common interest for example in case of the Syrian conflict, William Carroll defines TC as a consultative ruling-class forum that brings "*together transnationalized fractions of the business, political and intellectual elite during several yearly meetings, which it convenes at the national, regional and plenary levels.*" TC seeks to "*institutionalize elite economic, political and intellectual/cultural bonds between the North Atlantic heartland and the Asia-Pacific*". (Carroll 2010, 42.)

TC's publications include themes like global economic crisis, nuclear disarmament and nonproliferation, climate change and energy scarcity and Iran and peace in the Middle East. It tries to face the growing interdependence of the different regions of the world and the change in the political and economic importance of the Atlantic region in favour of the Pacific by means of a triangular cooperation between Europe, North America and East Asia most notably Japan. TC acknowledges the social implications of the economic crisis and the problems of the financial system striving for a system of global governance (Trilateral Commission 2012).

World Business Council for Sustainable Development (WBCSD) is the most recent of these five

policy agency groups. It could be described as the green consciousness of global capitalism moving beyond neoliberal structuralism to have a regulative stand on the markets. Issues like environmental problems, socio economic gaps between the rich and poor, peripheries and centers, the uneven development, and gender issues are on its agenda. Free markets are not necessarily fair, and today's outcomes bear witness to the problems of unfettered or unregulated markets. The need of common rules and objectives regarding the above issues is recognized under the notion of "*freer and fairer trade*". Thus, Council is not working against free trade. There is a demand for regulation and business-conscience (Carroll 2010, 44, 45; WBCSD 2012a, 12-13). Founded in 1992, WBCSD "*is a CEO-led organization of forward-thinking companies that galvanizes the global business community to create a sustainable future for business, society and the environment.*" It has 60 regional councils with majority in developing countries. Leadership comprises of CEO's from 200 companies representing all business sectors. (WBCSD 2012.)

#### **5.3.4. Institutional Actors**

In this section I have targeted another part of structures of the political apparatus of international economy. A comparison to national political system is befitting: these groups seem to have the same role for political input generation as in statelike political system is reserved for political parties. Thus, even if not in all cases officially institutional, these groups do in practice appear as institutional actors. This seems to hold especially for European Roundtable of Industrialists (ERT), which was formed with the initiative of European commissioner (see below). This interpretation is supported by study by Robinson and Harris (2000), who find it befitting to compare global economic system to transnational capitalist state. (See also Harvey 2007; Carroll 2010; Gill 2011.)

ERT was founded in 1983 with support and cooperation from European Commission. First meeting was held in Paris, where 17 businessmen met to combat the European illness of slow growth and stagnation prevalent in the European business atmosphere in 1980s: "*Symptoms were an evident lack of dynamism, innovation and competitiveness, in comparison with Japan and the United States*". To fight the problem, Europeans should create flexible social and economic conditions to match the challenges of global competitiveness. (ERT 2010, 6-7, 12-13). On global level, ERT is committed to further market liberalization. As the WTO's Doha Round is not making big progress, ERT welcomes the regional initiatives seeing lot of potential in Free Trade Agreements with India, Canada and Singapore, and the ongoing negotiations for a comprehensive EU-US Free Trade Agreement. (ERT 2012b). On the current agenda and in reaction to the European economic crisis, ERT has a five point schema for growth generation in the European Union including boosting the

economy from the perspective of free movement of capital. Public spending is too high and regulation on private capital too heavy, at the same time, labour force is inflexible (ERT 2012b):

Despite the challenge of ensuring growth, sector-specific public policy across the EU largely continues to operate as it did before the crisis. In the pursuit of legitimate objectives, regulation continues to impose incremental costs on doing business. European companies are exposed to an accumulation of numerous regulations, whose individual cost impact may be limited, but which in their sum cause significant increase in companies' overall cost base. This limits their ability to compete in international markets where growth is higher, and thus deprives them of a key mechanism to 'import' economic growth into their European home market.

From the first 17 members 15 came from the following companies: Thyssen, Olivetti, ASEA, United Technologies, ICI, Siemens, Fiat, Shell, LafargeCoppée, StGobain, Phillips, BSN, Renault, Volvo, Ciba-Geigy, Nestlé. The remaining two were high officials of the European Economic Community. Etienne Davignon served as European Commissioner in the Thorn Commission between 1981-1984, that is, during the time of founding of the Roundtable, and has later been member of the Bilderberg group. The other politician from the EEC was François-Xavier Ortoli, heading the Ortoli Commission between 1973 and 1976. (ERT 2010, 12; Research\*eu 2012; Bilderberger Conference 2012). We can see the huge economic power vested in the organization. Among world's biggest companies in 2011, Shell (Roal-Dutch Shell) was second largest after Wall Marts, Nestlé 42nd and Siemens 47th. Among other companies, LafargeCoppée which today goes by name Lafarge was world's leading cement producer in the end of 2010. Phillips claims to be world leader in healthcare, lighting and consumer lifestyle, for which it is maybe best known for regular people. (Fortune 2012; Lafarge 2012; Royal Philips Electronics 2012). These companies are some of the world's leading companies with interest in advancing global competitiveness and flexibility of the home market, objectives shared by the global executive and the policy planning groups. Jorma Ollila, former chair of ERT, is a current member of the Bilderbergers, and Nokia, for which Ollila has served as a CEO, is one of the members of ICC (ERT 2012a, b; Bilderberg Conference 2012; ICC 2012d).

Transatlantic Businesses Dialogue (TABD) was established with the initiative from the US Department of Commerce and the European Commission in 1995 to give issue-specific policy guidelines. Organization comprises of up to 50 executive officers or chairmen from companies operating in US, Europe and globally. The method of procedure is dialogue. Government officials from US and EU discuss different issues with business leaders providing guidelines and principles for political decision making, exchanging ideas, enhancing business opportunities and promoting transatlantic cooperation. TABD is the *“official business advisor to the Transatlantic Economic*

*Council (TEC)*". (TABD 2012a, b.) TABD gives policy advice to G20, G8 and G7 meetings, works in cooperation with among others European Roundtable of Industrialists and Business Roundtable (TABD 2012b):

Our goal is to achieve the freest possible exchange of capital, goods, services, people, and ideas across the Atlantic. We believe a barrier-free transatlantic market will serve as a catalyst for global trade and investment liberalization and help stimulate innovation, job creation, and economic growth. We advocate these positions based on issue-specific policy recommendations developed by TABD Working Groups, reviewed by the Joint Policy Committee and endorsed by the Executive Board.

TABD shares the principles of WTO and is working for deepening of the GATT and GATS framework. TABD believes that transatlantic integration *"could be used to strengthen and deepen the WTO's commitment to open and non-discriminatory markets"* by providing best practiced, to be *"promoted within the WTO to guide countries on how to create a more effective trade, investment and regulatory environment for growth and job creation"*. TABD has been working on Transatlantic Partnership (TAP), and its two partners US and EU are working on their respective fronts to further integration. (TABD 2012a, 3-5.)

The United States is pursuing the Trans Pacific Partnership (TPP), while the EU is concluding a Comprehensive Economic and Trade Agreement with Canada, has ongoing negotiations with India, Mercosur and others, and may start negotiating a deal with Japan. (Ibid.).

The alignment process could also create a dynamic environment in which it might be possible to draw some of the emerging growth countries who do not have free trade agreements with either the EU or the United States into an agreement. This dynamic appears to be working in the TPP where Malaysia and Vietnam have already become parties to the negotiations, and Japan, Canada and Mexico have now all asked to join the negotiations. Given the unfortunate deadlock in the WTO Doha negotiations, creating such a new dynamic could be a major boost to creating a stronger and broader commitment to open markets. (Ibid. 4).

Ultimately, the goal would be to try to use these types of initiatives to reinvigorate the overall commitment in the WTO to negotiate new multilateral agreements that are more relevant to the global economy in the 21st century. (Ibid 5.)

BusinessEurope represents 20 million companies of all sizes. It has 41 member federations from 35 countries. The Confederation of Finnish Industries (EK), that represents the entire private sector in Finland, both industry and services, is a member of the group. BusinessEurope works for the corporate competitiveness and the smooth functioning of labour markets. (BusinessEurope 2012a.) It *"opposes protectionism and promotes trade liberalization and the rules-based multilateral trading system in the framework of the World Trade Organization"*. Like ERT and TABD, BE *"is closely following the ongoing round of multilateral trade negotiations, launched in 2001 (Doha*

*Round) and calls for a swift and ambitious conclusion”.* (BusinessEurope 2012b.)

The US based Coalition of Service Industries (CSI) has a strong interest in successful GATS enforcement as it represents the interests of the dynamic American service economy, which employs 80% of the workforce and generates 3/4 of national economic output. CSI's member companies are major international players in banking, insurance, telecommunications, information technology, express delivery, audiovisual, energy services, and other service industries. CSI's works for expanding free trade agreement to encompass more countries and *“more services, enhancing bilateral services trading relationships, and ensuring competitive services trade in the global marketplace”*. Member organizations have business in more than 100 countries. (CSI 2012.)

## **5.4. Conclusion**

### **5.4.1. Definition**

The purpose of this chapter was to provide the analytical framework of neoliberal civilization from the perspective of study of international political economy. I proceeded with considering the ideas, structures and actors of international political economy. The structures include regional and international organizations and agreements. Regional economic integration takes place within the confines of WTO agreements on trade liberalization (GATT). As for the implementation of the WTO agreement on trade on services (GATS), the process is sluggish, but it is hoped that transatlantic integration (EU-USA, EU-Canada) will speed up the process. Actors of the international political economy (IPE) included policy planning groups and what I called the institutional actors of IPE.

Policy planning groups have a membership basis on multinational corporations (MNC), and membership is sometimes conditioned on the size of the MNC (in for example World Economic Forum). They provide policy guidelines and generate agendas for the global or regional institutions including intergovernmental conferences. International Chamber of Commerce (ICC) provides policy guidelines for WTO, G8, and Organization for Economic Cooperation and Development (OECD) (Carroll 2010, 41). Besides policy planning groups, the system of international political economy incorporates the organized business community into its system of governance. Major institutional actors include for example the European Roundtable of Industrialists (ERT) and BusinessEurope (BE).

The institutions and actors of international political economy seem to encapsulate the message from

theoretical sources of neoliberalism – free markets and private property. The theoretical foundations of international economy rely on the for example Friedrich Hayek's, Milton Friedman's, and Ludwig von Mises' work, where the idea of unrestrained liberty within the confines of rule of law is presented as the most democratically viable, and the most progressive manner of organized social life. These theorists were considered to be hard-core neoliberals, and their influence in the 'free-market fundamentalist' period in US and UK administrations is uncontested. Today, we are experiencing a shift towards a more regulated form of neoliberalism, already recognized by Robinson and Harris (2000, 50), but the main body of neoliberal thinking, the prevalence of market mechanism, private property and global markets remain unchallenged. This holds in particular within the framework of WTO agreements and transatlantic economic cooperation.

The answer to the question, what is neoliberal system of international political economy, can be generalized in the following manner:

Neoliberal international political economy is a system of global reach, where the central institutions are intergovernmental organizations of governance and regulation, and where the agenda setting takes place within the confines of competitiveness and free trade based on neoliberal of political economy advocated by policy planning groups and corporate lobbies (institutional actors) and intellectuals. It is founded upon the notion that individual liberty cannot exist without the right to possession and use of private property as the fundamental means of freedom and the principle of progress and development.

In more detail, the answer should account for the following: What are the ideas, structures and actors within the neoliberal IPE which, (i) constitute the rules for individual and collective economic activity which, (ii) set out the institutional framework for that activity to take place and which, (iii) control the available resources for individual and collective economic activity.

Ideas, structures and actors that constitute the rules of individual and collective economic activity include the great body of economists and economic faculties, the international regulatory system including WTO, Bretton Woods-institutions, EU, NAFTA, and other regional organizations, and the various policy planning groups and corporate cooperation organizations. What in this study is denominated neoliberalism, encompasses the prevailing economic thinking about the predominance of free markets as the best (the most civilizing) way of deciding questions of what, how and for whom (Begg et al 2005, 10).

There are different approaches to the rules of economy within all these three groups. As for the neoliberal idea of IPE, I have only dealt with hard-core neoliberals and only concentrated on the key concepts of free markets. In their *Towards a Global Ruling Class*, Robinson and Harris (2000, 43) argued that free-market fundamentalism has been challenged from within the 'globalist bloc' by

structuralist and regulationist fractions of neoliberalism. Both fractions aspire for some level of regulation of the financial markets because of the economic instability they produce. In addition, the regulationist fractions seek to remedy the sharpest inequalities of the global economy. According to Robinson and Harris, structuralist fraction is represented for example by George Soros, regulationist fraction by Joseph Stiglitz. Consciousness of the growing environmental problems, persistent and deep financial problems, and the resulting dismal in the Global South but also increasingly in the wealthy countries has been aroused even within the policy planning groups and among the leadership of MNC'. Good example is World Business Council for Sustainable Development (WBCSD). As yet, there are, however, no institutionalized structures to account for these problems.

Neoliberalism is sometimes falsely depicted as a *laissez-faire* ideology, which means, let alone, and let it go. The principle of individual liberty, as it appears in neoliberal theory, does not correspond to that idea. There are and should be rules that define individual and collective activity. Rules in the sense of specific commands are “*instruments of oppression*”, writes Hayek (2006, 136, 195), but rules as principles that provide a criterion to distinguish coercive measures are not. That this gives a definite role for government in guaranteeing these rules is accepted by Hayek and among the regulationist neoliberals (Hayek 2006, 196; Stiglitz 2010, 273).

The same rules for individual and collective economic activity should be applied on the institutional framework for individual and collective economic activity. The ideas, structures and actors that set out the institutional framework include the proponents of neoliberalism in its various forms, WTO, Bretton Woods-institutions, policy planning groups and institutional actors as they contribute to the formation of the international market place – the overall institutional framework of neoliberal IPE. Institutional framework refers to the institutions of markets, and the material and social infrastructure of where individual and collective activity takes place. Since neoliberalization began after 1980s, states have responded to the pressure from academia, policy planning groups, institutional actors, and this process has been combined with the development of regional structures, that provide for that framework or vice versa. A good example is the European Single Market process, and the emergence of New Public Management (Patomäki 2007, 29).

The institutional framework of neoliberal IPE is founded upon the global monetary framework that already exists before the initiation of neoliberal policies in 1980s. Federal Reserve System has a crucial role as far as the global monetary framework is concerned. It seems, however, that this system is not part of neoliberal IPE. It was founded in 1913 with the initiative of major bankers (Rothbard 1999, 50). None of the ideas, structures and actors has had any role in setting up the



monetary basis for global economy. It has been affected by neoliberal theorists, perhaps Milton Friedman in particular, but this impact has been political, meaning, it has affected the policies of Central Banks, not however, the underlying framework of money. Hayek (2006, 282-3, 454) writes:

Perhaps, if governments had never interfered, a kind of monetary arrangement might have evolved which would not have required deliberate control; in particular, if men had not come extensively to use credit instruments as money or close substitutes for money, we might have been able to rely on some self-regulating mechanism. This choice, however, is now closed to us. We know of no substantially different alternatives to the credit institution on which the organization of modern business has come largely to rely; and historical developments have created conditions in which the existence of the institutions makes necessary some deliberate control of the increasing money and credit system. Moreover, other circumstances which we certainly could not hope to change by merely altering our monetary arrangements make it, for the time being, inevitable that this control should be largely exercised by governments. [...] Though I am convinced that modern credit banking as it has developed requires some public institutions such as the central banks, I am doubtful whether it is necessary or desirable that they (or the government) should have the monopoly of the issue of all kinds of money.

The battle for the Federal Reserve System seems to have been waged during 19th century. Andrew Jackson, the 7th president of the United States. In his veto message regarding the Bank of United States, this ‘central bank foe’, said that to make the bank perpetual (it had been tested), is to acknowledge its force, and “*to admit that the present stockholders and those inheriting their rights as successors be established a privileged order*”, which order of private men would be, “*clothed both with great political power and enjoying immense pecuniary advantages from their connection with the Government*”. (Jackson 10.7.1832.) With the enactment of the Federal Reserve Act, however, the private interests had won, claims the Austrian economist and libertarian Murray Rothbard (1999, 50):

The financial elites of this country, notably the Morgan, Rockefeller, and Kuhn, Loeb interests, were responsible for putting through the Federal Reserve System, as a governmentally created and sanctioned cartel device to enable the nation's banks to inflate the money supply in a coordinated fashion, without suffering quick retribution from depositors or noteholders demanding cash.

The monetary framework of neoliberal IPE has in my interpretation failed to answer for the demand for rule of law in monetary matters as described by Hayek (2006, 287) and Friedman (1979, 253-267) resulting in the crises prone economy and the predominance of financial markets in the global market place (Robinson & Harris 2000, 36-7 ; Harvey 2007, 158; Stiglitz 2010, 188). It is not without some importance that neoliberal theorists like Friedman and Hayek did not study the basis of the monetary system, but applied their theories on the existing one. Friedman, for example, *treats* monetary issues from an idealized perspective. In his *The Optimum Quantity of Money* (1969) he

built on a model that did not correspond to the situation in real life.

As for the last of the three points, the ideas, structures and actors that control the available resources for individual and collective economic activity, the kind of control exercised by neoliberal IPE is based on private property. Theoretically, private individuals should control and manage the available resources. In those cases where this is not desirable, for example, when the control of a resource grant a privileged position for private interests, control should rely on some public authority. Even in these cases, however, the management of the use of these resources is better to be done by private persons (Hayek 2006, 196; Patomäki 2007, 29.) The structures and actors of neoliberal IPE strive for liberalization and privatization of public ownership. The control of available resources today is increasingly exercised not by private persons, but by MNCs (Airaksinen 2003; 65-91). As for the realization of individual liberty of all people, this may be problematic from the theoretical perspective of neoliberalism.

The conclusion we can make from this alludes to a need to modify the definition of neoliberal IPE. It is not fully coherent with the theoretical principles of the framework of individual liberty. Particularly important contradictions are at least two. Firstly, the monetary framework of neoliberal IPE, most notably the question of who issues money, is not based on neoliberal theory, and the structures and institutional actors have had no intention to effect on this issue – so far. This seems to have led to a contradiction between the deregulation of financial markets and the political influence of financial actors through the Federal Reserve system (I will come this point soon). Second contradiction is that of the control of available resources. The control exercised by MNC's was never present in the theory of free competitive markets. If this kind of corporate power is combined with institutional framework and rules for individual and collective economic activity, the principle of liberty as in responsible private possession and use of property is not well served, nor is the market mechanism able to serve the interest of all in equal manner. Asymmetry of power in this scale is closer to oligopoly than free markets, in which case we cannot expect markets to perform as they are supposed to. Speculation on food prices is only one example. I will attempt to follow these considerations in the following:

Neoliberal international political economy is a system of global reach, where the central institutions are intergovernmental organizations of governance and regulation, and where the agenda setting takes place within the confines of competitiveness and free trade based on neoliberal of political economy advocated by policy planning groups and corporate lobbies (institutional actors) and intellectuals. It is founded upon the notion that individual liberty cannot exist without the right to possession and use of private property as the fundamental means of freedom and the principle of progress and development. At the same time, the

monetary framework of neoliberal IPE is a left-over, and instead of serving simply as a means of exchange, it has other functions due to its existence, in particular in US, in the form of 'Federal Debt' to the Central Bank. The resulting ties with Wall Street and Central Bank are not viable from the neoliberal perspective on information and neutrality (rule of law). A further contradiction is that of the control of resources by MNC's, which does not fully account for the responsible use of private property as means of individual liberty, and which tends to distort the market mechanism. Hence, neoliberal IPE is not a coherent system of liberty which is acknowledged in theory, within the structures, and among policy planning groups and institutional actors.

#### **5.4.2. Contension from Neoliberal Perspective**

In some critical research, neoliberal IPE is heavily criticized because of its structures and because of the global problems. Carl Boggs' interpretation is one of the critical interpretations which question the legitimacy of neoliberal IPE as a whole. According to Boggs, corporate power since the 1970s has increased to the extent of a formation of a new polity above the democratic one – the corporate polity. Boggs writes that *“the post-Fordist corporate system is consciously designed in myriad ways to undercut citizenship, devalue politics, and resist the pull of democratic legitimating principles”*. (Boggs 2000, 69-70.) Stephen Gill has in his many publications expressed similar concerns. According to Gill (1998; 2011), international political economy is located within a framework a disciplinary form of neoliberalism, new constitutionalism, which effectively bars out democratic demands from the agenda setting procedures in IPE.

Neoliberal perspective does not fully support these concerns. New constitutionalism, as far as it refers to the disciplines of individual liberty embedded in the use private property in competitive markets, is a positive thing, a kind of rule of law which generates growth and prosperity. Democratic concerns should be aroused when individual liberty is taken as target for coercive policies dictated by majorities. That way lays the road to serfdom. Rather, the problem lies in the institutional framework of neoliberal IPE and within the oligopoly control of the available resources by MNC's. This is a democratic problem only in the sense that it can be an obstacle to exercise of individual liberties.

Boggs and Gill view global political economy from the perspective of democracy and majority rule which sees capitalists as potential enemies of freedom. From Hayekian perspective, state and majority democracy is the potential enemy. Neoliberal structuralists and regulationists share some of the concerns of Boggs and Gill. I will now take a closer look on how Joseph Stiglitz (2010) sees the problems of neoliberal IPE (a term he does not employ).

Diminishing global aggregate demand, the growing monetary imbalances between regions, the

political influence of the financial sector, environmental problems, and the belief that markets function perfectly if left for themselves, are grave problems that should be accounted for. The following approach is based on neoliberal institutional (and/or regulatory) perspective. The problem of diminishing aggregate demand means the lessening purchasing power of world's consumers. It is caused, on one hand, of the transfer of production facilities to the poor regions of the world. With little flexibility in wages in the rich countries, new investment cannot replace the loss of jobs, and less of the imported goods can be consumed. This reflects back on the poor regions. Pressures to keep wages low increase as the profit margins drop. This reflects back on the rich countries... (Stiglitz 2010, xxiii, 1-6, 24, 76, 154, 188, 198.)

The growing monetary imbalances means is related to the situation behind diminishing aggregate demand. As production facilities concentrate in the poorer regions, they began to experience trade surpluses, while on the other hand, the importing regions are growing in debt. China, for example, has huge trade surpluses. Foreign currencies are not, however, let to adjust to this situation because of political decision making in especially the Federal Reserve (FED). Despite the nominally floating foreign exchange, it is affected by central bank politics. By keeping the interest rates low, the Fed, before crisis broke out, spread the belief that markets are growing, while in fact they were not. This kept the consumption fever despite the fact, that consumption was based on debt. Private borrowing sky rocketed. At the same time, the deregulation of financial markets opened the possibility of huge profits for financial sector – supported by Fed's low interest rates. The result was the huge monetary imbalances between regions, and financial crisis. This brings us to the third problem, the political one. (Stiglitz 2010, xxii, 24, 85-9, 188.)

Financial sector is supposed to serve real economy, i.e., to transfer savings into productive investments. It is rather a means to an end, but since deregulation in 1980s it became an end in itself, *“some 40 percent of corporate profits were in that sector”*. Situation was caused by politics, not by markets. Stiglitz writes, *“a number of officials with direct or indirect ties to the financial industry were called in to frame the rule for their own industry”*. Federal Reserve had been serving the private interests of Wall Street bankers, who reaped huge profits from the interest on the mountains of debt – from the growth of national economic disaster. Rule of law or the rule of competitive markets was abandoned in favor of vested interests. The problem was not in the free market system itself, but in the lack of institutional framework that encourages responsible risk taking and excludes private interest from affecting political decisions. After the crisis, Obama has done nothing to cut the ties between regulatory agencies and financial sector. (Stiglitz 2010, 13, 42,

47, 167, 188.)

Environmental problems are also pressing. While international political system should provide the framework for growth, it should not allow for short-sighted use of world's natural resources. Many of the resources used by MNC's are to be found in poor countries, often with undemocratic leaders. As the International Monetary Fund and World Bank demand liberalization and privatization, this often happens without a responsible trade partner. Rights to control of natural resources are sold cheap, without reflecting their market value and the environmental sustainability. While this is profitable in the short term, it is devastating in the long-term. Situation is aggravated by the lack of institutional and regulative framework for use of this resources (and for the use of labor) – there simply is no effective legislation or transparent control mechanisms. (Stiglitz 2004, 36, 96-7; 2010, 196; see also George 1995, 47-58.)

Finally, the belief in self-correcting markets does not take into account at least two important aspects. MNC's are not run by their stockholders. They are run by their CEO's, who are directed not by the sustainable long term profits, but by bonus system. And most of all, they are exempted from personal responsibility. Stockholders and pension funds are responsible for potential losses of their actions, not the agents themselves. If the agency issues is not solved, markets cannot provide correct information. (Stiglitz 2010, 13.)

Moreover, individual actor can affect market prices if in possession of enough resources and/or correct information. An early example is from Waterloo, the battle that Tolstoy depicts in his *War and Peace* (1982 [1869]). Nathan Rothschild got the information of the outcome which resulted in the defeat of Napoleon's armies before anyone else. In the British Stock Exchange, he started trading as if Napoleon would have won. Traders panicked. They began to sell their stocks, and the prices went down – all based on the belief that Napoleon had won. Then Rothschild began to buy the cheap stocks. His advantage of information enabled him to hugely increase his property (and to manipulate stock exchange).

According to the financial speculator and neoliberal structuralist George Soros, a third reason is the tendency of markets to follow trends or become self-assuring. The recent bubbles prove this time after time: individual guesses about the price course can be so wrong as to cause huge stock market crashes like after the burst of information technology bubble in 1990s. (Soros 1998, 27, 57.) It seems that markets may seem self-assuring because of the agency problem. Markets become self-assuring because of the short-term interests that CEOs and financial speculators are looking for. A booming business is a booming business – even if overheated: it does generate short term profits.

Those market actors who have no personal responsibility over possible losses have the incentive to contribute to the increase of a bubble as long as short term profits are available, that is, until the bubble bursts.

## 6. NEOLIBERAL CIVILIZATION

### 6.1. Defining Neoliberal Civilization

As an analytical conceptualization, neoliberal civilization incorporates some key elements of Foucauldian discourse analysis, the 'archeology of knowledge', to the study of neoliberal international political economy (IPE). This approach has the advantage of considering truth-claims in the field of social life as representation of truth, or in terms of Ernesto Laclau (2005, 71), 'empty signifiers'. Discourses of neoliberal IPE can be interpreted in these lines as the reproduction of social life within the neoliberal categorizations of socially useful, scientifically valid, materially progressive, globally beneficial, and civilizational necessary. Neoliberal civilization, then, is a discursive construction, embedded in structures of power, and manifest in (economic) globalization.

The purpose of this chapter is to bring together the perspectives of normative analysis with the conceptualizations of civilizational discourse and neoliberal international political economy as in neoliberal civilization. This chapter consists of evaluative analysis of neoliberal civilization with the focus on three issues: firstly, definition of neoliberal civilization, secondly, evaluation of it, and thirdly, discussion on the future trends of it. Definition part attempts to provide an answer to the question - what is neoliberal civilization, from a descriptive analytical perspective. It consists of a specification of neoliberal IPE as a civilizational discursive system.

As an analytical conceptualization, neoliberal civilization can provide us with some insights of the social function of neoliberal IPE. Evaluative part approaches the same question with Swedenborgian and Smithian principles. Finally, the third part approaches the issue by applying the conclusions from the descriptive and normative perspectives. The aim in the third section is to offer a discussion on the future trends of neoliberal civilization. No specific part of this final chapter is assigned for reviewing related literature. Instead, I have reflected previous research while proceeding with the threefold task in this chapter.

I begin this first section with going through neoliberal IPE: the rules that define economic activity, the institutional framework of economy, and the ownership of resources. The rules or principles in the neoliberal IPE, those that define and constitute individual (and collective) economic activity, are individual liberty, private property, free markets. Rules are applied in for example deregulation, privatization, and flexible labor markets policies. The institutional framework of neoliberal IPE includes the institutionalization of neoliberal principles within, for example and most notably,

General Agreement on Tariffs and Trade (GATT), Trade-Related aspects of Intellectual Property Rights (TRIPS), and General Agreement on Trade on Services (GATS).

Besides the global institutional framework of markets, on regional level, North American Free Trade Area (NAFTA) and European Single Market are illustrious examples of economic integration which, excluding Africa, is in some form present in each continent. Within Transatlantic Business Dialogue (TABD), a corporate advisory group of Transatlantic Economic Council (TEC), it is hoped that these core areas of trade will provide a framework for concluding the implementation of WTO framework globally (TABD 2012, a, b).

Between EU and Canada, the conclusion of Comprehensive Economic and Trade Agreement (CETA) is planned to take place during the autumn 2013 (EC 2013, a). To facilitate intergovernmental trade negotiations between EU and USA, Transatlantic Economic Council (TEC) was founded in 2007 (EC 2013, b). In February 2013, US and EU launched initiations for negotiations on a Transatlantic Trade and Investment Partnership. The economic area comprised of EU and US is world largest, *"accounting for one third of total goods and services trade and nearly half of global economic output"*. (USTR 2013.) Transatlantic economic area is in making.

In this research, I did not study the monetary framework of neoliberal IPE. I commented on the role of financial interests in US Federal Reserve System, and the connections between monetary policy and Wall Street, which, theoretically, does not correspond to the idealizations of money and central banking provided by for example Milton Friedman (1969). As the monetary framework and the current (US) central bank system has not been questioned by the neoliberal academia or actors and structures of neoliberal IPE, I find that the monetary framework is incorporated into the system of neoliberal IPE. The growth of financial markets, which seems to have reached a hegemonic position *vis-à-vis* real economy, is an indication of the systemic linkage between the monetary framework, deregulation of financial markets, the post 1970s acceleration of growth in volume of financial markets, and the neoliberal IPE. Report from Bank of International Settlement (BIS) confirms the importance of financial markets (Bech 2012, 41):

The FX [foreign exchange] market is one of the most important financial markets in the world. It facilitates trade, investments and risk-sharing across borders. [...] The results show that FX activity continued to grow during the first year of the financial crisis but experienced a sharp drop after the Lehman bankruptcy, from which it recovered only slowly. Moreover, I find that trading activity was about \$4.7 trillion per day in October 2011.

The size of financial markets compared to the 'real economy' is substantial. World merchandize



trade<sup>42</sup> in 2011 totaled 17 816 billion US dollars, about four times as much as the *daily* trading volume of one of the most important of financial markets, foreign exchange (WTO 2012, 23). Since the deregulation of financial markets in 1970s, this has been the trend, and is sometimes referred to as financialization of world economy. According to Joseph Stiglitz (2010, 188), financial markets accounted for around 40 % of corporate profits during the pre-crisis years. Before the neoliberalization of global markets began in 1970s, 90 % of international trade was related to trade in goods and services, and long term investments. Market speculation comprised of only 10 percent. In 1995, situation had changed to the opposite. (Airaksinen 2003, 48.)

Theoretically, financial markets should transfer savings into productive investments, to serve as intermediates between different actors of the 'real economy'. By invention of different financial instruments, low interest rates, high expectations on future growth, and deregulation, financial sector has become an industry in its own right. Financialization was initiated by political decision makers in US and UK, who were influenced by neoliberal theorists like Hayek and Friedman. It was supported by the monetary policy of the Federal Reserve with close connection to financial elites. Hence, liberalization of financial markets is an integral part of neoliberal civilizational politics. Since the end of 20<sup>th</sup> century, the financial and economic system of governance has been questioned within the neoliberal IPE. (Robinson & Harris 2000, 42-5; Stiglitz 2010, 76, 166-171; Patomäki 2012a, 10-4.) In this chapter I will profess an interpretation of the evolving discourses on global governance that is based on a conceptualization of neoliberal civilization and its analysis with the two normative perspectives.

The control of economic resources for individual and collective economic activity is based on corporations (MNCs). Research has been done which indicate the role of Multinational Corporations (MNCs) in the control of world's scarce resources (see Airaksinen 2003; Chossudovsky 2003). In wider sense, control of economic resources implies the control of productive forces and the control of natural resources. Theoretically, neoliberal IPE strives for individual liberty. It is questionable whether the corporate control of means of economic action is compatible with this notion. In neoliberal IPE, centralization of ownership is, however, not a matter of theoretical or practical inconvenience. In neoliberal IPE, the situations seems to be quite the contrary. The regulationist fraction of neoliberal academia has criticized MNCs as to the directorship: there is an agency problem in corporate leadership which results in the predominance of short terms interests in corporate decisions (Stiglitz 2010, 13).

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<sup>42</sup> Trade on “goods which add or subtract from the stock of material resources of a country by entering (import) or leaving (exports) its economic territory,” (OECD 2013a).

Let me now set these considerations into the analytical framework of civilizational discourse. Recalling the general outline of civilizational discourse, I will focus on those aspects of neoliberal IPE, which pertain to the 'discursive formation' of it. These include the interior and exterior domains, the rules and practices that create objects (e.g. work, growth), and allocate duties and responsibilities to different subjects encompassed by particular objects (e.g. worker, national economies). Third aspect of civilizational discourse focuses on the political culture of neoliberal IPE as the control mechanism of change and transformation. Fourth aspect, a particular feature of civilizational discursive practices, highlights the relations of neoliberal IPE to other systems.

(i) The rules and principles of neoliberal IPE pertain to the interior domain of neoliberal civilizational discourse. Neoliberalism introduces itself as based on 'true knowledge', and provides the foundation of objectification of most aspects of social life in terms of a compound of scientific theories of progress and development. Neoliberal IPE appears as a truly civilizational paradigm in its attempt at defining most social relations from the perspective of economics, and by subjecting virtually each and every one to its categorizations. This is done by creating objects. Consumption, production, growth, economy, work, competitiveness, free markets, budget, efficiency, profit, property, enterprise, demand, supply, internationalism, cooperation, integration, interdependence, are some examples.

The subjects of neoliberal categorizations are the vast majority of world's population. There is hardly anyone today who still lives outside the sphere of influence of global markets. Most people are simultaneously consumers and workers. These classifications imply a duty to participate (and be subjected to) the neoliberal IPE. Consumerism implies the creation of a social subject that is integrated in world's market economy instead of self-supporting land-owner, or a member of complementary system of bartering – outside the confines of global markets. Similarly, in neoliberal IPE, worker is one who has the duty to sell his/her time for money (in order to consume). It would be quite different to conceive of a worker as an independent agent, who would give his products for the use of the community in exchange for food and housing – a worker who would control his time and resources either by himself or as a member of a community

The scope of these classifications are such that most people and most states are in some measure affected by them – integrated into the system of neoliberal IPE. In this sense, the interior domain of neoliberal discourse appears to be a system of universal categorization of social relations according to the principles of neoliberal IPE. It is a truly civilizing paradigm, because it sets the boundaries for what pertains to productive, progressive, scientific and modern, strictly from the perspective of

the needs of global markets and the key actors of these markets: financial institutions and corporations. Namely, the existence of a 'worker' in the neoliberal sense is contingent upon the existence of a corporation and the marketplace.

(ii) The interior classifications produced within the framework of neoliberal discourse are situated in the political body of neoliberal IPE: Neoliberal IPE seems to be the administrative apparatus, where these discourses are produced, where the social formation of world's 'consumers' is being designed, and where these categorizations and standards gain their exterior manifestations. The most manifest examples of discursive locations are within the institutional actors (e.g. TABD, ERT, BE), the policy planning groups (e.g. WEF, ICC), and the regulatory organizations on both regional and global level (EU, NAFTA, TEC, WTO), but the interior classifications go deeper into the social structures of Western societies. Wallerstein's *Unthinking Social Science* (1991a) would seem to be a good historical backgrounding. Wallerstein's perspective illustrates how epistemological, scientific, and cultural denominations do not take place in a vacuum, but are developed and formed in a social process embedded in the socioeconomic power structures.

(iii) In terms of Foucauldian discourse analysis as interpreted by Michael Shapiro (1981), the evolution and transformation of discursive politicizations (creation of objects and subjects) of social life can be analyzed as political culture which serves certain social ends. In the discursive formation of neoliberal civilization (representation of neoliberal IPE as such), the political culture has been centered on the social function and political ends of capital and money. We can make this conclusion with two sets of arguments, empirical and theoretical. As empirical indication of the *connection* between neoliberal discourses with the capitalist interest and money (financials institutions, Federal Reserve Banks), I have included Figures 2 and 3.

Figure 2 shows US average incomes of top 0.01 %, top 0.1 % and top 10 % of US population. Top 0.01 % constitutes a league for itself. Since 1980s, the wealthiest minority has enjoyed huge increases in incomes. In 1913 (start year), this minority gained over 4 million US dollars in income. In 1917 the average income of the top income class by percentage of total US population was around 5.5 million US dollars. At the same time the average income of the wealthiest 10 % of US population was 67 thousand US dollars. The highest top enjoyed an average income of 82 times more than the average of top 10 % of US population (World Top Incomes Database 2013.)<sup>43</sup> The

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<sup>43</sup> See also Figure 4: US Top 10 % Income Share in Annex. During pre-crisis years, the income share of top 10 % of US population corresponded to almost half of total incomes by US citizens. In Figure 5: Spain Average Income, I have compared data about Spain's income trends (see Annex). Since 1970s the 0.01 % of population experienced drastic growth of their average incomes even in that country. (World Top Incomes Database 2013.)

income differences between members of the top 10 % are striking. Since the deregulation of financial markets, the differences have grown rapidly even among the highest income classes.

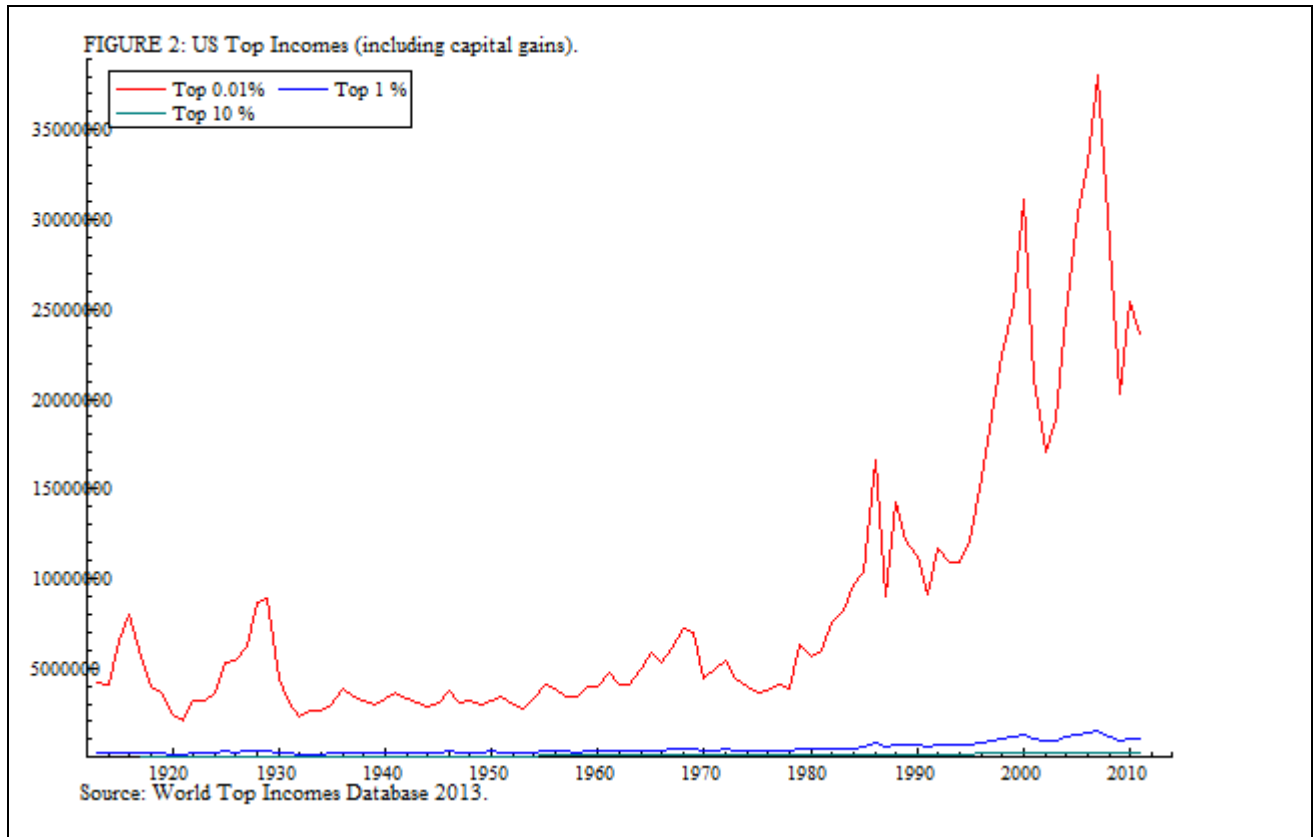
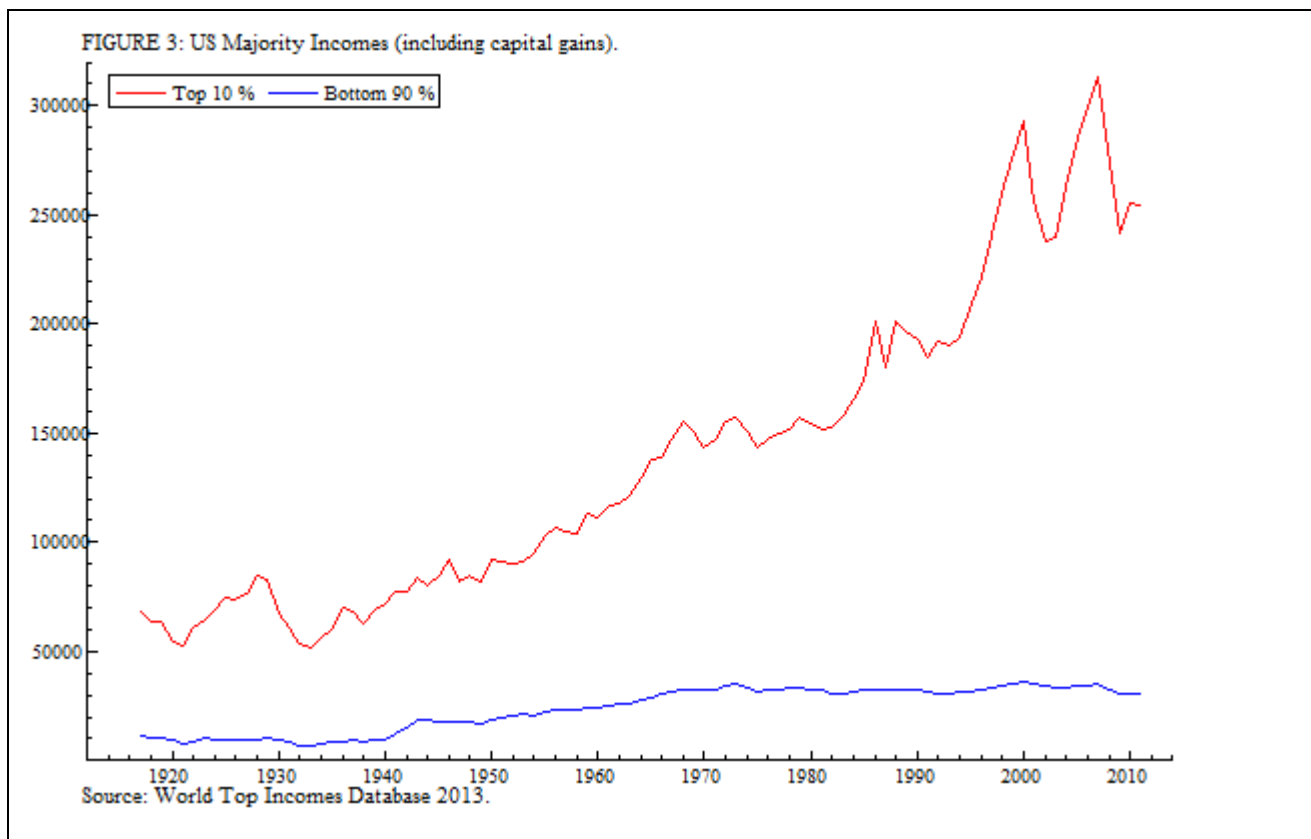


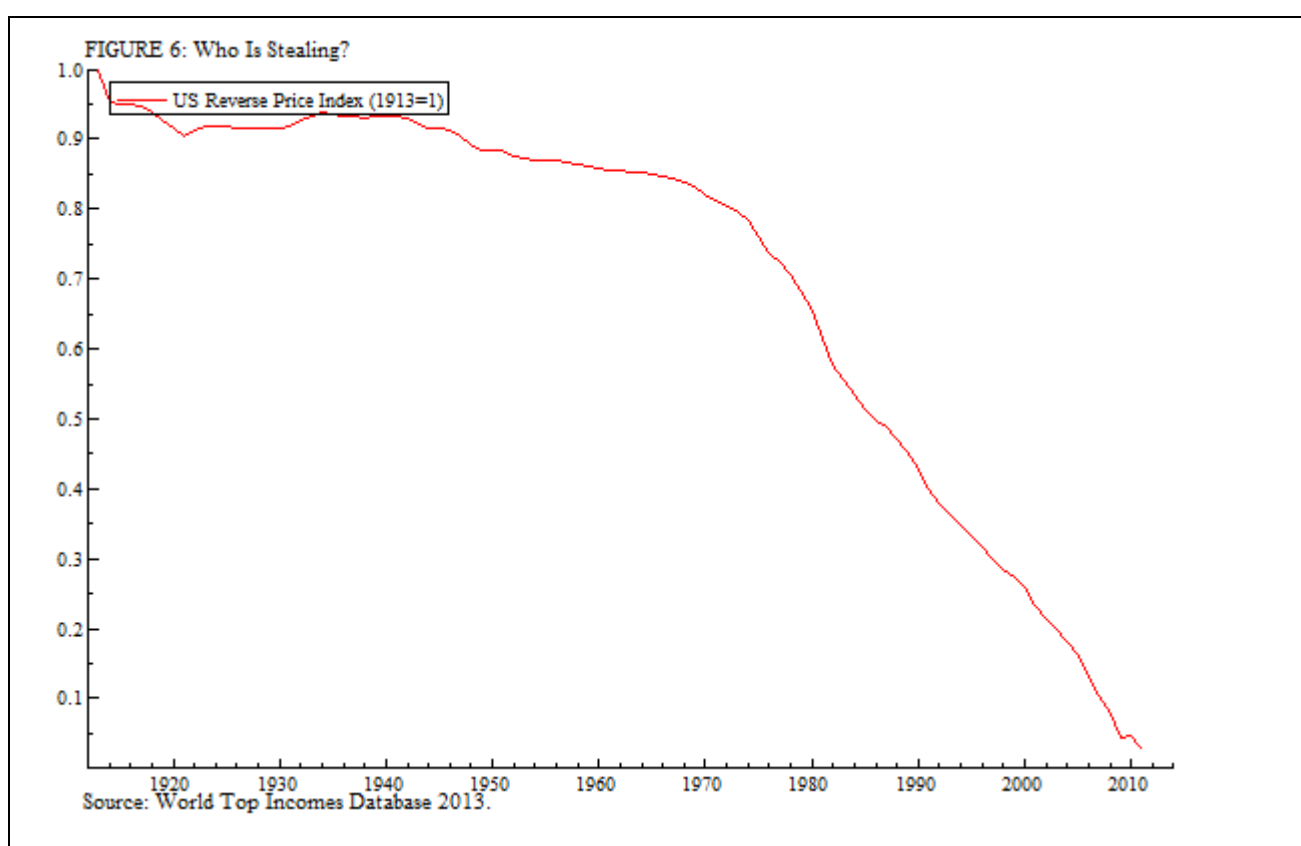
Figure 2 does not show the income of majorities. Inequality between the top 0.01 % and bottom 90 % is too extensive to be presented in one figure. From the World Top Incomes Database, I have retrieved the following values. In 1917, bottom 90 % of US population had an average income of 11 thousand US dollars. By dividing 5.5 million with 11 thousand we get 500. The average income of the wealthiest minority was about 500 times bigger than the average of 90 % of population. Between the average of top 10 % and the average of bottom 90 %, differences are not that substantial. The average income of top 10 % was only 6 times as much as the average of the majority. Figure 3 shows the development of income inequality between these two groups. In Figure 2 we can see the beneficial effect of neoliberalization on the incomes of 0.01 % of US population. In Figure 3 we can see that US inequality has started to develop already in 1960. (World Top Incomes Database 2013.) Figure 4 (see Annex) confirms these findings: the income share of the wealthiest 10 % was almost 50 % of total US income during the pre-crisis years. Figure 4 shows that a marked change took place after 1970s. The true levels of inequality should be substantially higher because the assets in tax havens of the wealthiest minorities are not included in the data from



As remarked above, neoliberalization has caused a huge increase in speculative markets, and the proportions of financial markets have grown significantly since 1970s (Airaksinen 2003; Stiglitz 2010; Patomäki 2012a.) Financialization entails that financial markets have since the commence of neoliberal policies in US and UK grown on the side of productive economy, not by providing new long term investments in new technologies, industries, and infrastructures, but by reaping profits from the real economy. In *Globalization of Poverty* (2003), Michel Chossudovsky interprets this as a process of restructuring global economy to serve the interests of transnational capital. Chossudovsky's interpretation is compatible with similar claims in *Towards a Global Ruling Class* (2000) by Robinson and Harris, and also with *The Great Eurozone Disaster: From Crisis to Global New Deal* (2012) by Heikki Patomäki.

The growth of financial markets implies increasing the amount of money by giving out diverse forms of financial instruments. New money in the economy does not change the relations in between different actors. Injection of new money changes the nominal prices given to different economic factors. Rise in quantity of money causes the adjustment of prices to the new proportions of money. This process is called inflation. During the last century, US inflation rates grew strongly.

The purchasing power of one dollar from 1913 has retained less than 5 % of its value. Figure 6 depicts the loss of value of US dollar since 1913. It is based on US price index (see Annex Figure 7). In around 1970s the purchasing power of dollars began to inflate. This coincides with the deregulation of financial markets and the substantial growth of volumes of financial market transactions. On one hand, the wealthiest 0.01 % was reaping huge income gains, and on the other, purchasing power of dollars was dropping. In a stationary (not growing) economy, this could mean only one thing: theft. In a growing economy with dramatically increasing differences in income this would mean the transfer of growth to the pockets of minorities. After the Great Depression of the 21th century “*the top 1% captured 93% of the income gains in the first year of recovery*” in US (Saez 2012, 4).



Robbery by financial means consists of one main element. It is the possibility given to private actors to create new means of exchange without producing anything. Primarily, money is a means of exchange, used to measure values of different commodities. Money does not create anything as such. It becomes creative when used for productive investments or generally in a purchase of means of improving social and material infrastructures of societies. Quite the contrary happens when money is given out by private actors as debt without at the same time creating something new. In

this case, money (or debt) becomes part of the already existing creative and productive capacities of the society, not by producing more of something, but by collecting an interest from the already existing wealth. Interest thus becomes the link between the new money with the real economy. In a stationary economy with huge amounts of new money in the form of debt, interest is the amount that real economy loses in wealth to the lenders (and speculators). Consequently, new money in the form of debt means transfers of wealth from majorities to the minorities who are given the means of making new money. (See Stiglitz 2010.)

It seems beyond doubt that empirical evidence supports the claim that neoliberalization has served the interest of minorities. I find that the political culture of neoliberal discursive formation has been centered on the social ends and purposes of dominant financial and corporate interests. The claim can also be supported with the following theoretical argumentation. In the hypothetical situation, where the control of economic resources (or productive forces and raw material) is exercised by minorities, private property as the means of individual economic activity is abolished among majorities. Without private property, and within a social system based on capitalist production and consumerism, an individual falls into the category of worker-consumer, whose interests are defined *in relation* to corporate profits *as* a worker and consumer. Neoliberal IPE has strived for creation of this kind of situation in at least two ways, firstly, by privatization of public ownership, secondly, by not protecting small companies and infant industries (e.g. Chossudovsky 2003). Consequently, the discursive formation of neoliberal civilization has been strongly biased in favor of the social power structures of a capitalist society, as indicated by most studies from the perspective of historical materialism (e.g. Wallerstein 1983; 1991ab; Gill 1995; 2011; Boggs 2000; Sklair 2002; Harvey 2007).

(iv) This far I have dealt with the issue of how neoliberal IPE as a system of civilizational discourse is constructed internally (interior, exterior domains, political culture/rules of formation). An important aspect of neoliberal civilization is its relation to other systems. Firstly, neoliberal civilization appears as an attempt to construct a global civilization from within the framework of neoliberal IPE. WTO agreements provide us with an institutional example of the global reach of neoliberal IPE as the most progressive and beneficial way of social organization. Neoliberal civilization shows a friendly face towards those who are ready to accept the neoliberal categorizations and their role within the neoliberal system. Relations are quite different to antagonist systems.

The projection of evil within neoliberal civilization implies that other forms of social organization

are categorized outside the boundaries of acceptable and useful objectifications. Inasmuch as the neoliberal IPE is represented as a liberal, pluralist, free, democratic, and necessary system, in one word, a civilization, in corresponding degree other systems are being represented as of the opposite kind. Cuba, for example, is represented as a stagnating and totalitarian system. Iran, in similar manner, is represented as a fundamentalist tyranny, which suppresses the freedom of individuals. Venezuela is represented as a populist country, where oil money is thrown away to buy popular support. This is the intolerant face of neoliberal civilization (see Brown 2004).

The representation of alternative forms of social organization as evil or uncivilized is a feature of the dominant civilizational discourses in international politics (War on Terror, protection of free civilization). The relations to other and different systems (which are not incorporated into the sphere of neoliberal IPE and its power structures) seem to connect the two civilizational discourses. The common enemy with these discursive systems is the fundamentalist, populist, un-liberal Iran, group of rogue states, and in a more general manner, all states, ideologies and cognitive systems that do not share and that oppose Western individualism, liberalism, pluralism, and democracy. It appears as if the two discourses were essentially of the same root, as if neoliberal civilization is a part of what might be called the Free Civilization.

It appears, then, that behind the neoliberal civilization as a representation of neoliberal IPE as a necessary and civilizing system of (economic and) social organization is part of an even more encompassing 'civilization' in making. Recalling that not all policy planning groups of neoliberal IPE are strictly corporate based, we can note the existence of some common structures – besides, of course, the geographical location of the major states of both the political and economic version of free civilization in the Western countries. Common structures would be Bilderberger Conference, Trilateral Commission, and the national/federal governments (who ultimately yield the power of decisions in global and regional cooperation organizations). In terms of Robinson and Harris (2000, 40) financial elites or transnational capitalist class is at the center of world's ruling class, surrounded by a transnational cadre of political elites. Based on the perspective employed in this chapter, this interpretation does not seem to be far from truth. It cannot, however, be accepted without provisions.

In introduction to chapter 5 I commented on the interpretations from the perspective of historical materialism on economic crisis. I expressed my doubts towards the conceptualization of a transnational capitalist class as a ruling elite of the world, and the conclusion made based on that interpretation: that economic system is in crisis or that civilization is in crisis. What I have tried to



prove in chapter 5 and with the conceptualization of neoliberal civilization is quite the opposite, the power structures upon which neoliberal civilization is based, are not in crisis – neoliberal civilization is as strong as ever. In the aftermath of post-crisis policies in the EU, it seems to be growing stronger as the debt-countries are forced to privatizations and cuts on public spending. In my interpretation, this process is a continuation of the 'civilizing process', which has already gone through the Third World (George 1995; Airaksinen 2003; Chossudovsky 2003; Patomäki & Teivainen 2003; Stiglitz 2004). This is the process of ensuring a control world's productive forces for the corporate community: the control of means of subsistence and work.

The control of resources is not the only reason. Second reason is the lack of evidence that would show the existence of exclusively transnational capitalist class as an elite group. There are indications to this direction (Carroll 2010), but no direct evidence of this (to my knowledge). At the same time, various studies (especially from the perspective of historical materialism) and even the short treatment of neoliberal IPE in this particular research imply that definition of neoliberal civilization, not as an exclusively transnational capitalist class project, but in more general terms, a system of global domination, is valid. The provision I would like to make to the interpretation by Robinson and Harris (2000, 40), is based on the assumption that not all capital in the neoliberal civilization is equal. Corporations, no matter how big they are, are not immortal. Corporations are dependent on global demand and their capacity to generate profits. Corporations do collapse.

Hence, my assumption is (a possible hypothesis for future research), is that at the focal point in free civilization there are those interests that control money and debt. Corporate (productive) capital is only second to these. This assumption brings the focus of analysis of economic relations beyond the exterior manifestations of corporate life and structures of neoliberal IPE to the fundamentals of economy, the thing that sets all wheels of it rolling - money. If money is debt<sup>44</sup>, all those countries that use this money are inflationary because for each dollar they always pay an interest for the mere right to use that currency. On one hand, this counteracts economic development, progression of wages, and improvement of infrastructures (and other forms of investment), on the other, it provides the financial interest who control debt a secured position free from competition with a privileged access to markets.

As for the provision to interpretation by Robinson and Harris, while I am not convinced of the

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<sup>44</sup> This would seem to be the implication of Federal Reserve System. According to Friedman (1979, 265), this system provides US economy not with interest free cash, but with debt: US Treasury sells bonds to the Fed, which in return either gives cash or makes an entry is credit for US Treasury. If this means that US currency is interest bound debt, it is hardly surprising that inflation has been so striking feature since the beginning of last century. Inflation is not, however, explained by this arrangement, but by government policies (see Hayek 2006, 286).

existence of a capitalist ruling class, it seems beyond reasonable doubt that the political culture of neoliberal civilization *is embedded in* the global power structures which control the available resources for individual and collective economic activity.

In conclusion, neoliberal civilization can be specified with four points:

1. Interior domain encompasses as its chief and exclusive element of civilizing knowledge the principles of individualism, freedom, pluralism, and markets. Neoliberal civilizational discourse creates objects and classifications for almost every area of social life, concerning the nature, and concerning the destiny of the world. Most things are incorporated into and defined by the discursive system as its subject. This creates expectations, duties, and responsibilities. The boundaries for modernity, progress, and the approvable are constructed within and arise from the interests of the dominant social structures through manners of speaking, conceptualizing, governing, managing and organizing knowledge, the capitalist system, and the social reality.
2. The exterior domain is set within the framework of neoliberal IPE which strives for a global market place. It seems that the corporate community consisting of institutional actors, neoliberal academia, and policy planning groups, works in harmony with financial interests and elites, and presumably those connected with at least US Federal Reserve.<sup>45</sup>
3. The boundaries of socially approvable and useful transformations are defined by economic rationales of global market place run and controlled by corporate and financial interests, corporate community, and multilateral organizations.
4. Neoliberal civilization strives for the expansion and subjection of all areas of social life and all regions of the world into its sphere of influence.

Based on discussion in this chapter, a following general formulation can be made:

Neoliberal civilization is a representation of neoliberal IPE as a necessary feature of a progressive world system. It is an attempt to hegemonize social relations under the rationales of global markets, a so far successful attempt to subjugate individuals under the body of economic apparatus of world capitalist system on the one hand as consumers, and on the other, as workers. Finally, it appears to be a system of intolerance towards other forms of social life, especially those, where individuals and nations are free from the rationales of global markets, where individuals are not located within the sphere of influence of global markets forces, and where individual and collective sovereignty reign. The approved of domain of transformation within the discursive system is defined from the purposes of global markets, especially the socio-economic structures of domination of this system. Possible changes must be seen from this perspective, and might or probably will include a

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<sup>45</sup> Federal Reserve, Wall Street, and the political leadership seem to have been united behind minority interests (see Stiglitz 2010). I did not study financial sector in particular, and the monetary framework was excluded from this research. This research has led to the formation of a hypothesis that financial interests of especially the banks of Federal Reserve and their affiliates in the Wall Street (and global financial system), are at the focal point in the process of building a civilization of the future from a narrow and paradoxical perspective of freedom in capitalism. I don't know how China relates to the monetary framework and financial interests of the neoliberal civilization. To be able to analyse future trends of the neoliberal civilization (perhaps, as part of an attempt to build a global Free Civilization), Chinas financial system, its monetary basis, its connections with the Western bases financial elites, and its relation to the Communist leadership should be studied. This research is an outline, an attempt to conceptualize, evaluate, and understand the big pictures of political economy. Research on monetary systems, connections between international financial elites, and the analysis of future trends in this sector is outside the scope of not only my limited abilities but also the scope of research task.

move towards a more regulated institutional framework, and a more responsible use of economic resources.

## **6.2. Evaluation and Analysis**

### **6.2.1. Freedom and Love: the Creative Powers of Free Civilization**

When I was pondering on how to approach the issue of neoliberalism and civilization, my greatest problem was how to be able to provide relevant insights on the matter. The work done hitherto, even the conceptualization of neoliberal IPE as neoliberal civilization, does not in it-self provide interpretations that would not have been presented in some form by well-established social scientists (not including, perhaps, the limits of approvable transformations to which I come in the next section). Role of Multinational Corporation, financial markets, the lack of transparency and democracy, the subjection of individuals to the 'disciplinary' rule of neoliberalism, have received the attention of prominent academics and multiple civil society groups. Yet, and this is the chief reason for why it seemed so difficult to approach neoliberalism and civilization, none of these problematization of neoliberal IPE can question the epistemological grounds of neoliberalism, if you at the same time won't accept certain epistemological backgroundings (referring, in particular, to historical materialism).

From neoliberal perspective, inequality is not a problem. Quite the contrary – it may be of great value. Everyone does not need to be rich, it is enough that at least some people are. In a free society, where the use of economic resources is controlled by private interests, control of resources *in competitive markets* by MNCs is a positive thing. The problems with international economy, hence, are not primarily about lack of democracy, lack of social justice, lack of equality, but lack of demand. Inequality becomes a problem when it reaches a stage, where global aggregate demand is threatened. As far as financial markets are concerned, the problem is the relentless (and government supported) risk-taking: it is economically unsustainable, because it threatens the generation of wealth and growth in the rest of the economy. This was the case during the recent economic crisis (and the resulting European debt-crisis). Moreover, financial sector becomes a problem because it distorts information, and some actors in the markets have recourse to superior information. Asymmetric information was based (and probably still is) on the connections between the Fed, Wall Street, and the regulatory officials.

These definitions of the sources of global economic problems bar out important criticism, because the power of the economic elites and the global economic system itself are not questioned as such.

They are subjected to criticism, and demands for reform, but these reforms tend to strive for a stronger (and more regulated) global system. Scholars with their background in historical materialism have been questioning the legitimacy of the global market system. Some examples would include Wallerstein (1983; 1991a), Robinson (2005), and Gill (1995; 1998; 2011; 2012). Neoliberalism and globalization have been studied from both the Marxists and liberal traditions. But they have not been studied from Swedenborgian perspective, or from the Smithian perspective that I have assumed here. It seems that the two perspectives can serve as a foundation for relevant insights on the neoliberal epistemology, on its perception of freedom, and on the issue of global markets. My concern with how to approach neoliberalism was theoretical. From empirical perspective, I think, the discontents of globalization have been laid out extensively.

Let us begin with recalling the principles of Swedenborgian perspective. These serve as a means of refuting neoliberal epistemology and rethinking freedom:

1. Divine Love and Wisdom as the Being Itself and the Creator.
2. Second principle concerns the creation. The whole universe exists in order to create receptive forms of Life, i.e., of Divine Love and Wisdom.
3. The principle of freedom within the confines of love.

The Swedenborgian perspective to knowledge can contribute to a perception of the world in a coherent and systematic manner, not by excluding natural sciences, but by incorporating them, and not by excluding metaphysical questions, but by answering them. Neoliberal epistemology provides a system of knowledge by excluding metaphysics, and by making humans the highest authority for individual choices of good and truth. Neoliberal chain of reasoning about good and useful begins and ends with individual choices. In their attempt to describe the evolution of knowledge, some adherents to neoliberal epistemology try to depict human evolution in parallel lines with biological evolution. That attempt of neoliberal epistemology is based on the ultimate failure to distinguish a process from its ends. Natural evolution is not a process of selection of best practices. Rather, it is a process of creation and proliferation of life, where the birth of new life forms and proliferation of old, are the ends of the process its principal law.

The same mistake was already made in Darwin's *The Origin of Species* (2009 [1859], 97). According to Darwin, each species endeavors with all its power to increase its numbers: there is a war of survival raging out there. But to combine war and struggle for survival to the idea of multiplication and diversification of life is to wrongfully focus on the appearance of the situation of each and every species in relation to other species. There is a failure to see how all species also are

connected in almost invariable chain of useful purposes, which provide means and material for development of new life forms. Struggle for survival should rather be seen as a struggle for qualitative and quantitative improvements of life. From the Swedenborgian perspective, this would account for a more correct description of what by Darwin and neoliberal epistemologists is referred to as selection of the fittest species and the best practices.

The failure to distinguish a process from its ends, I interpret, is due to a lack of systematic and coherent system of knowledge, which not only describes objects and events, but which also can see the purposes of objects and events. The purposes of objects and events can, however, hardly be seen in the objects and events themselves, especially not the ends and purposes of existence (which, in lines with Cartesian philosophy, should be the first task in a search for knowledge). By merely regarding objects and events as such, the mind is bound by the logic present in these objects and events, and can hardly find anything of eternal, spiritual, or Divine in them. Hence, the failure of not distinguishing a process from its ends seems to be due to a lack of interest in eternity and origin of logic and life. In my interpretation, this leads to a scientific system where the nature and essence of things is excluded, and where the system of knowledge is separated and isolated from attempt to build a coherent system that includes and accounts for *all* knowledge.

The greatest advantage in Swedenborg's philosophy relies on its attempt at and aspiration for coherence and systematics. By doing this, Swedenborg, who continued in the footsteps of Descartes and Plato, managed to make important conceptualizations that his predecessors only touched on. Three of the most important conceptualizations of Swedenborg's philosophy are about eternity, life and freedom. According to Swedenborg, we saw in chapter 2, eternity is a spiritual idea. Substances of the nature are limited within the confines of time and space. The eternal substance does not have these attributes. The substance of eternity, then, has no time and is not in space, because it is Love acting through Wisdom. The ultimate ends and the internal logic of objects and events in the universe originate from the Divine Love, and become manifest through Divine Wisdom.

From this perspective, life in the universe (of 'dead' matter) is the outmost manifestation of Divine Love and Wisdom, striving for creation of higher forms of life, and ultimately, striving for creating from the 'dead' matter living object, who by their will and understanding can receive spiritual life from Him. Creative powers of the universe are thus the creative powers of love and wisdom. Creative powers of the universe appear as the infinite potency in the marriage between good and truth. And the universe as such appears as the offspring of that marriage.

The creative powers of human civilization are different in essence. Men are not bound by the

marriage of life and order prevailing in the universe of matter. Men are higher forms of life, capable of love and wisdom, that is, capable of becoming spiritual, and enwined with the capacity to be joined to eternity. The source of creative powers of human civilization derive from the Infinite Love and Wisdom in the Lord, and there are correspondingly infinite number of different kinds of human lives, different kinds of good sentiments, which provide the foundation for progress of human civilization. But in coercion, the source of variegation is covered and replaced by the will of one: in coercion there is no love or wisdom. In this notion, Swedenborgian and neoliberal epistemologies intersect.

The creative powers of human civilization from both the Swedenborgian and neoliberal perspectives are founded upon freedom. From the Swedenborgian perspective, the source of the creative powers of human civilization is the freedom to love. Freedom in Swedenborgian sense means freedom to love life, strive for an increase and improvement in different forms of life including the material wellbeing of human societies, for the preservation and protection of nature, and the preservation of the planet for future generations. This is the social implication that encompasses material uses. On higher level, freedom implies freedom to love good and truth (spiritual uses), and on highest level, to love Divine Love and Wisdom. Hence, there seems to exist three degrees of love, which by Swedenborg are elaborated in his doctrine of degrees. All three degrees have their corresponding uses. Love on the social and material degree materializes in the form of social and material uses.

From the neoliberal perspective, freedom is not confined within love of life (or uses), but within global markets, where love equals individual self-interest. This is a fundamental difference. From the Swedenborgian perspective, neoliberal freedom is destructive to life. Self-interest as the highest goal of human action implies that there is no correspondence of human civilization with Divine Love and Wisdom, and nor is there any correspondence to the creative powers of universe. In human civilization, all forces *should* be bound to the creation of new forms of life with innumerable different uses or services for the sake of life and love. In universe, all forces *are* bound to this by the laws of nature. By striving for self-interest, human capacities are used contrary to the universal system of love: freedom becomes a means for doing good for one self instead of services to others.

In neoliberal civilization, freedom of individuals is defined *in relation to* global markets, where ownership of resources of individual and collective economic (or social) life are increasingly concentrated to MNCs. Freedom in this system is connected to power, and self-interest restrained only by competitive markets. Self-interest, love of one-self and love of possessions, is in this

situation given free strains to organize social life from the perspective of social power structures. In consequence, social life is organized according to categorizations that are based on what is useful for personal profit of the major economic actors who control the productive forces. Freedom, then, becomes a paradox, and social system a system of domination, where the creative powers of human civilization – individuality in independence and cooperation in economic life, are perverted.

From Swedenborgian perspective, it comes as no wonder that millions of people within neoliberal civilization are living in poverty, that millions die of hunger, that biodiversity is threatened, and that power is concentrating on a few hands. From the Swedenborgian perspective, neoliberal freedom is a means of doing evil. Neoliberal freedom is in conflict with the order of nature, and works against the principles of a universal system of love. Universal system of love is the normative framework for social action.

### **6.2.2. The Dissolution of the Markets of Sociable Men**

Smithian perspective was formed around the following principles:

1. The principle of interdependence which is primarily embedded in the need of approbation as the ultimate foundation of moral action.
2. The principle of private property founded upon the following definition: Private property as the product and means of individual liberty to profit from the improvement of the methods and tools of labor and of the increase of available resources. Private property implies the ownership of the active agent.
3. The principle of free trade defined as such exchange between different people both nationally and internationally that is founded upon the simultaneous improvement of the cities and the agricultural areas that supply them with their food and resources.

Human action from an individual perspective and in freedom is always bound to be defined by individual valuations, preferences, desires, affections, all those things that are manifestations of ones interior motifs. The interior motivations are by Swedenborg defined as love, acting through understanding in the body. There are different kinds of love, good loves and evil loves. Both categories include an innumerable variety of different kinds of loves (and different personalities). Love in good and evil derive this infinite ability of diversifying from the Infinite Love of the Lord. According to Swedenborg's system of universal love, individual human action is good if lead by goals other than self-interest and love of the world. These loves, if given the dominant position in a man, corrupt him. If in put in service of love of life, neighbor, justice, good and truth, and ultimately, love of the Lord, even these loves become purified. In this sense, self-interest is the means of providing one-self with the means of physical life and which such a position in the world that one can be of service to others.

Human action from social perspective is to be bound by the norm of usefulness instead of self-interest. Usefulness in Swedenborg's universal system of love works at every level in order to provide the means for procreation and proliferation of life (in the natural world). Among humans it is defined as that which provides for the material and social needs of all humans, and not only material needs, but also the time and education enough to develop their humane sentiments of compassion, sense of justice, caring, and the ability and resources (time) to develop these sentiments and develop their mind. These were the social goals of the Utopians, of whom Thomas More wrote half a millennia ago in his *Utopia* (1971 [1516], 88).

From the Swedenborgian perspective, self-centered human action is always bad. It is bad, because it contradicts the universal system of love. Self-centered human action is evil as such and in-itself. In society, it may well be harnessed to serve social goods. Swedenborg (1992, § 6481) writes:

What is more, the Lord employs the wicked as much as the good to accomplish His ends; for the Lord spurs the wicked by means of their own actual loves to do good to neighbor, country, and Church. For the wicked wish to be eminent, wish to profit, and therefore wish to be seen as upright and zealous; and more forcefully than the upright they are aroused by that desire; as if by fire, to perform such deeds.

Swedenborg's chief concern is on the epistemology of knowledge. He did not elaborate on the social aspects of self-interest, nor provide theorizations on social science. Adam Smith describes self-interest in similar manner as a tool of Providence to lead men, wicked and upright, to serve his ends. The invisible hand that leads men to be of service to their country is the hand of Providence, which uses self-interest to his ends for the benefit of each and every one. This interpretation of the invisible hand was also presented by Paul Oslington in *God and the Market: Adam Smith's Invisible Hand* (2012). The ends of Providence are not those of material equality for all men, but of the material means of subsistence and time for personal development available for all. For this reason Smith criticizes the state in which laboring classes are brought into by their stationary and repetitive work, and by their long working hours. But neither Smith nor Swedenborg demands social and material equality. In Smith's *Wealth of Nations* and in *Theory of Moral Sentiments*, inequality is rather seen as a source of material progress and development, because it gathers resources under the direction of one individual who (led usually by self-interest) will endeavor to employ it in the best possible manner for himself and indirectly for the benefit of society.

Thus, self-interest employed in social action represents love to the neighbor and society in its outward form. Driven by self-interest, a citizen may even be more useful member of society than an upright person, who seeks no glory in social bravura and sets no value in excessive material



possessions. Not, however, unconditionally so. Self-interest must retain the representation of inner goodness. In Smith's *Theory of Moral Sentiments*, the representation of inner sympathy and love is explained with the help of the two concepts of 'partial spectator' and 'impartial spectator'. Representation in this sense means that self-interest in social action takes the form of social usefulness. Thus, it represents the love of social usefulness, but does not correspond to it.

Smith brought his analysis on self-interest as a social good to the sphere of political analysis. In order for self-interest to be guided by the 'impartial spectator', Smith argued, it must be dependent on the bonds set around it by the community. These bonds are the need of being loved, esteemed, respected, and regarded as a just and upright person. Neoliberal civilization has the tendency to abolish these bonds. We read in Karl Polanyi's *The Great Transformations* (2002 [1944]) that in the emerging international system social relations become subjected to profit interest and subservient to markets. The commodification of everything, digitalization of transactions, and globalization of market place, has dissolved personal connections between producers and consumers, between the workers and owners, and within the community. Social relations are subjected to the impersonal market forces and the bonds of self-interest are loosened up.

Whenever the self-interest is left untied to the need of sympathy, it shows its real nature. In Smithian terms, led by the partial spectator, the entrepreneur, diplomat, financial speculator, or farmer, only seeks to further his interests regardless of how the realization of these might affect others, and regardless of social usefulness, justice and morality. This is the fundamental dividing line between Smithian and neoliberal analysis of the usefulness of self-interest. While Smith conceives of the 'invisible hand' as the hand of Providence, which within the condition of social interdependence causes men to pay attention (by the impartial spectator) for the respect and esteem of their fellows, in neoliberal conceptualization it is substituted with the price mechanism. In Smithian terms, markets and self-interest serve the ends of Providence in the service of countries and communities; in neoliberal terms, markets and self-interest serve corporative interests. Without the acknowledgment that self-interest in itself and as such is an evil (in terms of Swedenborg, contrary to the universal system of love), there are no provisions made to guarantee its interdependence on anything else than the market price. Social relations lose their innate humanity.

From within the neoliberal academia, the social aspect of economic life has been treated by Francis Fukuyama. In his *Trust, the Social Virtues and Creation of Prosperity* (1995), Fukuyama argued that in different countries different corporate cultures prevail, which have incorporated and assimilated the old institutions of trust in the new economic framework of profit seeking. A productive and

innovative company tends to have an internal cohesion and a shared sense of commitment to profitability and market value. Besides rational choices, different social institutions of trust provide for a healthy and productive environment within each corporate community and between suppliers and consumers.

Fukuyama's analysis is centered on relations in a corporation. He pays little attention to the relations between producers in South and the consuming masses in the wealthier North. Fukuyama's analysis disregards the relations between corporate leadership and their work force. The CEOs and the shareholders of MNCs reside far away from the reach of their workers even in cases when the productive facilities and the head office are in the same country. Corporate leadership and major shareholders rarely see their ordinary employees, and are hardly in need of their sympathy and love. They need not be considered good persons. There is no such community (*gemeinschaft*) where both CEOs and their employees belong to. From Swedenborgian and Smithian perspectives, this enables the loss of the only thing that makes self-interest useful.

The situation is far worse in global markets. Neoliberal IPE has effectively caused the transfer of productive facilities to poor countries with few or none labor unions, with feeble protective legislation, and with national product that sometimes is *less* than the yearly turnover of their multinational corporations. The asymmetry of power is striking. In these cases the communal bonds are fully non-existent. In their decisions, corporate leadership can fully and without guilt disregard the sentiments (and benefit) of their foreign workers, and base their decision only on the profitability of the firm: on efficiency, low costs of production, and revenue. In their competition with similar corporations, the impetus of keeping costs low strengthens their commitment to pursue the interest of their firm (and their bonuses). Even if they, like many 19th century capitalist, Henry Ford in US, and James Finlayson in Finland, would like to *hear* the lives of their employees having improved, they cannot do much about it, not more than provide low wage employment. They may even feel that by providing these jobs they are doing a service for people who otherwise were left unemployed. And in some sense they are right – an individual firm can hardly fight against the system of global capitalism. In neoliberal IPE, self-interest is freed from all its bonds, furnished with power of billions, and thrown out to the global market place to play. Perhaps the most accurate theorization of this situation was made by Karl Marx in *Capital* (2010 [1887]).

Neoliberal civilization as a discursive system of neoliberal IPE is embedded in power structures of a capitalist society. From Smithian and Swedenborgian perspectives these power structures no longer serve the social purposes of self-interest, and that power vested in the global market actors is an

evil, not only in itself and as such, but an evil without any (or with only a few) restraints. This is especially the case in speculative financial markets, where not even a resemblance of a community exists. According to Soros (1998), Stiglitz (2010), and Patomäki (2012a), economic crisis have to a great deal been the making of financial markets.

The preceding evaluative analysis on self-interest renders the need of prolonged analysis of the second two principles of Smithian perspective unnecessary. Some remarks are, however, in order. The second principle deals with private property. In the liberal tradition (including Smith and neoliberals), private property is the means of individual action. In neoliberal IPE, private property is turned into a minority control of world's scarce resources. In Smithian terms, the role of MNCs in the international political economy does not account for this principle. The possibility of acquiring property should be equally possible also for those almost one milliard persons who in today's world go hungry to bed. The use of private property, directed by social bonds, should never be the cause of starvation, as is the case with those 2,5 million children that die because of hunger – 35 persect of all child deaths. (FAO 2013.)

Private property should be seen as a means of individual liberty also in the sense that its accumulation is in direct relation to the uses one performs for society. Market price is the idealized version of this. Market price in the neoliberal theory is used to cut away the linkage between work and the value of labor, as if there would be a contradiction in connecting these two. There isn't. Market price does reflect the value of work, and work that is not valued by consumers or the society, is not very useful for society. But in markets that are dominated by the private interest of big companies and financial institutions, with power of not only distorting information, but with power to set the wages to the level of a poor nations poverty – in the most poor countries this this may lead to setting wages as low as possible in order to feed the workers (which might be called hunger equilibrium price of labor). In these markets, prices reflect the power relations of the society. They reflect global imbalances as the commodities are cheap for Northern consumers, yet, unattainable for their Southern producers. They reflect the asymmetries in the rich countries, as the working poor do their shopping in Hennes & Mauriz and Lidl, and quality products are available for only a few.

Different situation would arise if workers would themselves control the productive forces as shareholders, and the corporate leadership would be democratically (and economically) responsible for the workers. This idea in this study is an application of the Smithian perspective, but it has been presented as a form of market socialism (and successfully applied) (Sklair 2002, 301). Market

prices in this situation could not reflect the relations of asymmetry of power and the dominance of the self-interest of minorities over the majorities.<sup>46</sup> Neoliberal economics do not recognize this idea. But it is in some form present in Smith's analysis. Hence, there is nothing contradictory in conceiving labor as the original price of all commodities, and at the same time allow for the provision that the exchange of commodities in the market place defines their purchase prices. However, if you do separate productive labor from ownership, and only then apply the market price as a mechanism of value setting, you will end up with modern globalization of poverty.

The third principle, the principle of free trade from the Smithian perspective contradicts the neoliberal IPE as it subordinates world populations to the structures of domination resting on the asymmetries of power. Considering the provisions of Smithian perspective for the 'markets of the sociable man' (interdependence and private property), I find that production for the needs of global markets and for corporate profit serve the purposes of domination and possession by minorities. In Smithian terms, markets should have as their primary task the (simultaneous) improvement of each participant in the production of material welfare. The material improvement of productive areas, the global peripheries, should not lag the material improvement of global centers. In today global economic order, it seems that not even the centers experience a material improvement of their whole populations, but increasing inequality and privatization threaten the social infrastructure even in the most developed economic areas of the world.

From the Smithian perspective, the formulation of the question, whether it is beneficial or not to protect the industries of new and developing economic areas (infant industries), can in today's context be given an affirmative answer. However, there *should* be no need for protectionism, because each economic area should be bound by interdependence, and producers, as a principle, should be closely linked to if not in control of the productive forces. As this is not the case, the principle of balanced and equal improvement of each economic area should be protected by some other means than by the bonds of mutual sentiments of good will and justice, and the ownership of property. Economic areas include for example the producers of raw materials and industrial products, the providers of financial services other areas of service sector. This means is a state control in order to support developing industries and local production of raw materials and food (including food sovereignty). Protectionism is an evil, but from the Smithian perspective, it can provide for the first (and perhaps most important) principle, and it can simulate the situation that the

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<sup>46</sup> Market socialism, on the contrary, would regulate market prices by price control (Sklair 2002, 301).

third principle would otherwise lead to.<sup>47</sup>

In conclusion of the descriptive approach employed in this research, I was able to define neoliberal civilization in the following manner:

Neoliberal civilization is a representation of neoliberal IPE as a necessary feature of a progressive world system. It is an attempt to hegemonize social relations under the rationales of global markets, a so far successful attempt to subjugate individuals under the body of economic apparatus of world capitalist system on the one hand as consumers, and on the other, as workers. Finally, it appears to be a system of intolerance towards other forms of social life, especially those, where individuals and nations are free from the rationales of global markets, where individuals are not located within the sphere of influence of global markets forces, and where individual and collective sovereignty reign. The approved of domain of transformation within the discursive system is defined from the purposes of global markets, especially the socio-economic structures of domination of this system. Possible changes must be seen from this perspective, and might or probably will include a move towards a more regulated institutional framework, and a more responsible use of economic resources.

Now that we are at the concluding part of the evaluative analysis of this system, we can finish with only one conclusion.

Neoliberal civilization is a global system that has objectified social relations to serve the interests of dominant power structures of the Western self-proclaimed civilization. These interests are inimical to freedom, individual liberty, progress, and all those things that 'civilization' stands for. Consequently, neoliberal civilization is a system, which is represented as an *ideal*, but which representation covers a *foul reality* of subjugation, expropriation, and hostility towards all attempts to individual and collective sovereignty. By having released the evil residing in our self-interest from its social and moral bonds, neoliberal civilization has created social evil of global reach.

## 6.3. Discussion on Future Trends and Approvable Transformations

### 6.3.1. The Era of Global Interdependences

In this section my purpose is to draw from the preceding conceptualization and analysis of neoliberal civilization in order to outline the future trends of it. Within the dominant discourse of neoliberal globalization, there is place for change and transformation. And there are global problems that need to be solved. The existence of a problem as such, however, does not mean that it needs to be solved in certain manner, or that it needs to be solved at all. Looking at human history,

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<sup>47</sup> This conclusion is a good example of the different approaches that historians would employ. I have applied Smith's work in order to develop an analytical (and normative) perspective, which I apply on the present day situation. In Smith's attack on the mercantilist system, protectionism was on the definite no-list. In today's context, it seems that other things equal, protectionism is, perhaps an evil, but a necessary evil (and most certainly less evil than starvation because of food market speculation and the destruction of local economies because of cheap foreign commodities and food stuffs).

or the history of civilizations, we are faced with long line of generations who have been excluded from political life, who have been slaves, who have been oppressed in almost invariable ways by different actors, sometimes by church, sometimes by feudal lords, sometimes by neighboring tribes, sometimes by foreign conquerors, sometimes by the military... the list is long. It shows that while human history is not wanting of examples of problems, it also shows that problems have by far always been solved. Based on the nature of neoliberal civilization, I find that problems we face today are likely to be faced from within the approvable field of transformation, i.e., from within the discursive system of neoliberal civilization. Hence, I have labeled this section as *Future Trends and Approvable Transformations*.

I classify all those reforms that will not substantially change the power structures of neoliberal civilization and in which the interests of the dominant groups will be respected and not challenged as future trends and transformations. Consequently, from the Swedenborgian and Smithian perspectives, these reforms are not enough for being categorized under the heading 'free civilization'. At the same time, these transformations will help to better the situation of the world population, and as such, I would assume, they may all be positive changes. Given the dangers of any system of domination, I do feel cautious about this statement.

Firstly, to analyze and predict what is going to happen, we need to be concerned with the dominant interests of neoliberal civilization. In this study, I was able to make the connection between the economic interests of dominant groups in the neoliberal civilization. Swedenborgian and Smithian perspectives seem to be useful in attempting to analyze the nature of the major interests. While I could only point out some key actors of the neoliberal IPE, I also could make the distinction between two kinds of (evil) loves that drive men (in Swedenborgian perspective). One is the love of domination, the other love of possessions. From Swedenborgian perspective, the love to rule from self-love is diametrically opposed to the love of being ruled by the Lord. The love of possession for the sake of possession and not for the sake of those uses that possessions may render for the general benefit of society is diametrically opposed to the love of neighbor. Love of domination and possession seem to be the chief features of neoliberal civilization.

Hence, if domination and possession are the principles of neoliberal civilization, it follows that domination and possession will have to be secured. Today, they are already quite secure. Most of the regions of the world have gone through privatization and destruction of independent local economies. This process has accelerated even in Europe in the disguise of solutions to debt crisis. (See Gill 2012, 524.) In terms of Sklair (2002), the culture-ideology is well established, and most of

us have to satisfy with the position granted to us in the neoliberal civilization. The creation of subject of neoliberal civilizational discourse is well done. But there still are important state run sectors in the West that do provide some level of independence. In universities, there is always the possibility of choosing a perspective (which at times may be difficult), and choosing your research subjects independently from the approbation of markets (this may be more difficult for professional researchers who need grants or university positions to finance their studies). Secondly, state is still a major actor in social service sector, and has a role in energy business, and media. Social sector is a major employer. This will probably soon change with the implementation of EU-USA and EU-Canada trade pacts, and at latest with the implementation of GATS.

On international level, only few states have remained independent. The cooperation organization (ALBA-TCP) between ten Latin American and Caribbean countries is a major example. Iran is another. Venezuelan and Iranian oil reserves grant this group of antagonists a position of power, which could spill over in other poor regions of the world. The spillover effect has already taken place in Latin America, where after Chavez got elected over ten years ago, Bolivia, Ecuador and Nicaragua have joined the block of ALBA, created firstly between Venezuela and Cuba (Ministerio de relaciones exteriores 2010). This danger looms in especially the African continent, whose ties to the global system seem to be comprised of corrupt governments and utter poverty (read, dependence on the MNCs). At the same time, the African continent has huge population, and the population is still increasing. As Huntington (2009a) has suggested, the relation between different populations is a potential for drastic changes and antagonism towards the Western civilization. If Iranians and the ALBA block could initiate a strong development project in some African countries, it might provide a starting point for quick development in independence from the global power structures and in cooperation with the friendly block of sovereign states.

China and Russia are two other difficult cases. Since Putin came to power, Russia has taken a more nationalist turn. In China, despite the abolishing of state run enterprises (and social security too), the political power is vested in the Communist Party (Gries & Rosen 2004). Consequently, there are contradictions and antagonism to the neoliberal civilization, which have already resulted in 'pre-emptive' strikes and the War on Terror. Hopefully, the thirst of power within the neoliberal civilization is not strong enough to start a war for the overthrow of these antagonist powers.

Within the neoliberal civilization, power structures seem to be well established. National governments are always a potential threat to neoliberal civilization, especially during economic hard-times, as we can see from the Venezuelan and Bolivian cases, and this alone provides a reason

for global governance. Possession of resources and global domination will be more secure, if the authority is transferred from national level to a supranational government. In national governments, you need only tens of thousands of votes to make a real change. Under a world government the change would require the activation of millions of people for a common cause.

The above reasons for the need of global government were seen from the perspective of neoliberal civilization. But there are other reasons, which within the discursive system of neoliberal civilization have been represented and conceptualized as of common concern for all of us. Economic, environmental, and security related interdependences are of global nature and as such should they be addressed (that is, without questioning the discursive context of neoliberal civilization).

Economy has been under a heavy strain during the last decades. While on one hand, the economic crisis have served the purposes of attaining the control of resources and thus have enforced the power structures of neoliberal civilization (e.g. Chossudovsky 2010; Gill 2012, 524), crisis and economic hardships as such are not desirable for anyone. This is why new or reformed institutions are needed from the perspective of neoliberal civilization. Crisis and economic hardships unite the commoners of neoliberal civilization with its power structures, and this change, then, is probably going to happen. It is not only an approvable transformation. It is also a desirable change. Second common concern is climate change and environmental problems. Global institutions are needed to put an end to the prisoners dilemma, which in many cases is useful for dominant forces, but not so in the case of environment.

Economic, environmental and security related issues are even graver problems from the perspective of the 'commoners'. Most of world's countries are dependent on other countries and the ability of global economy to generate growth. Industrialization and neglect of environmental protection in China affects the whole atmosphere. Financial market deregulation and 'debt industry' in US affects the global economic system. Human trafficking, drug traffic, international terrorism, regional stability in oil producing countries all have an effect on peoples of many countries. They are global phenomena. Market fluctuations, speculation on food markets, have huge effects on people's lives in the poorest regions of the world. Within neoliberal civilization, no single government can provide solutions for these problems unless in cooperation with other countries. And if only a few number of states would decide to impose for example a financial transaction tax that would not serve its purposes but in the worst case lead to centralization of financial transactions in countries with 'healthier' tax rules. In similar manner, no single corporation or a group of corporation can



effectively reflect all aspects of environmental costs to the prices of their products. They would just lose their market position.

These are examples of globalization and the complex web of connected causes and effects that affect most of the population in the world. Globalization is the cause of new interdependences, it has come to stay, and solutions must be made globally. This kind of reasoning in favor of a more structured and institutionalized form of global governance seem to fit into the domain of approvable transformation within neoliberal civilization. Globalization, internationalism and interdependence are examples of the discursive hegemony of neoliberal civilization which effectively bars out some solutions and approves of and encourages others.

The word interdependence refers to the dependence between different peoples on each other. In Smithian terms, interdependence refers to the need of each individual to be loved by others and accepted into a community. In neoliberal civilization as an analytical conceptualization of globalization (especially on the economic aspect of it), interdependence is something very different. In the global market place is comprised of the interdependence of power subject to the dominant power structures of neoliberal civilization.

This holds especially in their relations to each other through the market system. But it also holds for environmental issues, and the issues of security. Environmental problems are caused by the corporations, which driven by their competition, can scarcely pay enough attention to the effects their actions will have on environment. In global markets, corporations are almost forced to this disregard until they are all more or less forced to do otherwise and do it simultaneously.

From the perspective of neoliberal civilization, the solutions to these problems must be found from within the civilization. Future transformations are likely to emanate as integral parts of the neoliberal civilization. The conceptualization of environmental, economic and security related issues as matter of global interdependence reflects the hegemony of the discursive practices of neoliberal IPE. Problems of globalization are approached from the global perspective of neoliberal civilization. Solutions from within the political culture of neoliberal civilization define the boundaries of approvable transformations, and these boundaries must retain the influence and dominance of the power structures of the present system. Hence, world government would be the best and most straightforward solution. It would serve the interests of dominant power structures by ensuring and stabilizing the global system. Stability and centralized all-inclusive aspect on governance would also serve the interest of majorities.

The role in disseminating knowledge from the perspective of neoliberal civilization, of which it seems that the discourse on global interdependences is an example, is illustrated by a quote from the statement of purposes of Trilateral Commission. The Executive Committee wrote the following already in 1973 (Trilateral Commission 1998, 9):

1. Growing interdependence is a fact of life of the contemporary world. It transcends and influences national systems. It requires new and more intensive forms of international cooperation to realize its benefits and to counteract economic and political nationalism.
2. This interdependence, especially among Japan, Western Europe, and North America, generates new problems and frictions which endanger not only their well-being but affect adversely the other regions.
3. Although the risks of nuclear confrontation have diminished, world peace and security are still to be given a lasting basis. New problems have also emerged to heighten the vulnerability of our planet. Humanity is faced with serious risks to the global environment. At the same time shortages in world resources could breed new rivalries, and widening disparities in mankind's economic condition are a threat to world stability and an affront to social justice.
4. While it is important to develop greater cooperation among all the countries in the world, Japan, Western Europe, and North America, in view of their great weight in the world economy and their massive relations with one another, bears a special. Responsibility for developing effective cooperation, both in their own interests and in those of the rest of the world. They share a number of problems which, if not solved, could cause difficulties for all. They must make concerted efforts to deal with the challenges of interdependence they cannot manage separately. The aim must be effective cooperation beneficial to all countries, whatever their political system or stage of development.

### **6.3.2. World Economic Governance**

This short section is based on what appears to a part of the discursive system of neoliberal civilization. Peoples of the world share common concerns, which should be solved with common solutions. There is a great need for global economic governance. Economic question are more often than not related to environmental issues, global imbalances, and democracy. Reform of global economic governance should tackle three primary categories and a fourth secondary category of issues. These are financial market reform, restoration of demand, and issues related to environment and democracy (Stiglitz 2004, 296-9; 2010, 76; Patomäki 2012a, 199). A fifth category consisting of security related issues might be included, but within the confines of this study (international political economy), I leave it out.

Financial market reform should be directed at a restoration of economic growth. There are two different ways of doing this. The huge amount of debt that national economies today have to support puts a heavy strain on the real economy. Most or a substantial portion of this debt is not

related to what might be called ‘borrowing from the future’<sup>48</sup> – borrowing to boost the real economy. In undergraduate economic textbooks, financial sector is described as an intermediate of this transaction. That does not reflect the truth of the matter<sup>49</sup>. (Airaksinen 2003, 39, 48; Stiglitz 2010, 188.) To support the strain of debt on national economies, growth rates must be ensured. Without economic growth, interest payments and financial market activities (in their present form) can only mean theft from the public or redistribution of the wealth of majorities. For example, the Gross National Product of the Euro area in the third quarter of 2012 was 2.4 million euros. At the same time, gross external debt of the Euro area was at 12 million euros. Debt to GDP ratio was 500 % ( $12/2.4 \times 100 = 500$ ). This aspect of debt has been neglected in the Fiscal Compact ratified in January this 2013. Fiscal Compact sets a limit only for public government debt (at 60 % of GDP). (ECB 2013a, b.)

Without ensuring growth rates, these debt figures will lead to redistribution of the wealth of majorities to financial sector (which seem to be comprised of 0.01 % of populations in at least US and Spain as we can see in Figures 1 and 5). Growth can be generated by labor market and service sector reforms. Service sector liberalization would imply the opening of a major source of work places for competition. In developed countries around 80 % of work force is employed in the service sector (Pajarinen et. al. 2012, 16). Combined with flexible labor markets (where wages can be adjusted downwards) private sector can diversify and multiply distribution of services. While this might very well mean pressures to lower wages, it would also imply the potential of generating new job opportunities and economic growth. In short-term, this would ensure the sustainability of interest payments and the stability of the financial system. In chapter 5 I commented on the aspirations by Transatlantic Business Dialogue (TABD) to increase growth and generate new jobs by service sector liberalization within the transatlantic economic area (TABD 2012a, 3-5). The same conclusion is drawn in a recent publication from the Research Institute of the Finnish Economy

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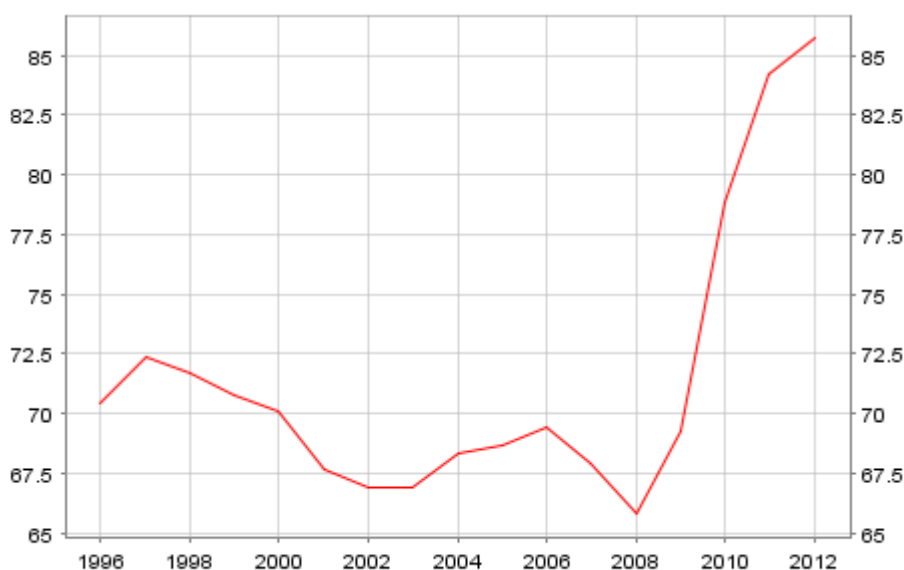
<sup>48</sup> I use ‘borrowing from the future’ to describe the role of financial institutions in facilitating investment on improvement of land, technology and social infrastructure. In the future, investments of this kind are realized in higher productivity, more efficient use of resources, and improved social infrastructure – schools, health-care, social services, and in general, all those material and social improvements of organized social life which distinguish developing countries from the well-fare states. Borrowing enables the construction of improvements. Interest is only the price societies have to pay for their higher levels of material well-being – achieved quicker than without the role of financial markets. Borrowing from the future implies that lending is used to increase wealth of the lenders.

<sup>49</sup> Financial crisis in US (which spread all over the world) had a connection to future not in the form of borrowing from future improvements and investing on real economy to achieve those improvements, but in the form of expectations. In the guidance of Fed’s policy, housing prices (and the economy), was thought to continue growing. The house prices were *expected* to rise. People borrowed to buy houses, to fill houses with goods, and to borrow against the *future* house price, which they thought would be higher than the present value. Financial markets laid their hands upon the risk business loans (subprime), and built new financial instruments upon them (securities, derivatives...), traded with them, and created even more money to be injected into the society as debt. (Stiglitz 2010, 2, 77-88, 170-1.)

(ETLA) (Pajarinen et. al. 2012, 92).

In long term, growth with service sector liberalization and labor market reforms cannot sustain the debt to GDP ratios of the present magnitudes, especially not if financial markets continue to increase their lending. Financial reforms are also necessary. Financial reforms should tackle two issues. First is the strain of debt on real economy. Second is the destabilizing effect of speculation on markets prices. To solve the problem of debt, we need to account for the current debt and the systemic issues underlying the generation of debt. As for public government debt, solution might be relative easy. In Figure 8 we see the growth of Euroarea debt ratios (percentages of GDP) before and after the economic crisis. Euroarea debt has skyrocketed since the crisis. This is an indication of solving the financial crisis as nationalization of private debt created by financial institutions. According to Joseph Stiglitz (2010, 131) same thing happened in US. As a result Europe experiences a debt crisis.

FIGURE 8: Euro Area General Government Debt (percentages of GDP).



Source: European Central Bank, Statistical Data Warehouse 2013<sup>50</sup>.

According to Stiglitz (2004, 314-6) and Patomäki (2012, 167), solution to debt crisis would include a debt audit mechanism, which acknowledged the *shared* responsibility of lender and borrower. US insolvency legislation might serve as an example. Another part of a solution would involve the too-

<sup>50</sup> This information may be obtained free of charge through the ECB's website.

big-to-fail banks. According to Stiglitz (2010, 166-7, 131) these banks should not have been rescued but split up into smaller entities, restructured and sold instead of government purchase of their toxic assets. I find that even healthier solution might have been nationalization. Now that bail outs have been done, the principle of 'too big to fail' could be applied on governments, this time by private sector. Governments could be bailed out by banks: private sector rescue packages for public governments without interest.

These solutions do not fit well into the neoliberal perspective: legitimacy of debt is questioned. If, however, debt audits are used only moderately, they can serve their purpose for the dominant interest of neoliberal civilization. Moderately applied, debt audits can prolong the impoverishing (for general public) debt strain on world economy. Solution of the whole debt issue does not appear a likely option. Given that the strain of debt in the long term is unsustainable and that its possible destabilizing effects on the legitimacy of international economic regime, I suspect that (i) the short term solutions (flexible labor markets, liberalization of trade on services) are applied *as long as* possible and (ii) at the final stage, euro (and dollar) are let to collapse to be substituted with a global monetary framework. My interpretation is based on power relations. A continued strain of debt combined with flexible labor markets and service sector liberalization would increase and unstrengthen minority control of resources: it would serve the apparatus of domination within neoliberal civilization. Debt-crisis provides a usable pretext of imposing these market reforms (e.g. Gill 2012). Moreover, 85 % percentages of general government debt is not unheard of. Japan's general government debt in 2009 was 184 % of GDP (OECD 2013b).

At the final stage, a global monetary system based on the existing power structures would imply not merely a reform of global economic governance but also a start for a global empire, where the power structures of neoliberal civilization would see their global dominance constituted in the form a world state – without pretexts on global interdependence and international cooperation. In the first section of this chapter I have already attempted to show that neoliberal civilization is firmly based on social (and economic) power structures, and where the tendency is strong towards a more centralized control of the means of human independence – economic resources and time. A natural continuation is a global state.<sup>51</sup>

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<sup>51</sup> Some critics of neoliberalism also believe in global government (or governance by a global authority). Patomäki (2012, 194) for example, sees global government including a monetary and fiscal powers from the perspective of global democracy. Without a revival of democracy, without international labor movement, and without a global party that would unite the interest of the commoners against the (economic and political) interests of the minorities, appeal for a global democracy is likely to serve the interests of the dominant structures of neoliberal civilization without the power and ability to unite and fight for democratic decision making *against* the interests of minorities.

Managing current debt ratios is one issue. Another issue is that of new debt. Financial reforms of different kind are needed to put an end to creation of it. This implies controlled risk-management rules combined with responsible lending (shared responsibility in case of insolvency). It also includes financial market regulation. According to Stiglitz, a great number of financial instruments are bets on future growth or bankruptcy. As a principle in financial reform we should stick to the text book definition of the role of financial markets: financial transactions should be defined by the needs of the real economy. (Stiglitz 2010, 76.)

Second aspect of financial market reform tackles the question of the strain of speculation on real economy. This has to do with the unregulated financial markets and free capital flows. Speculation on financial markets does not only cause great volatility of in prices, which bears a heavy toll on the lives of the poorest regions in the world (Sub-Saharan food crisis is connected with speculation on food prices). As for individual enterprises, it becomes difficult to predict future costs with great fluctuations on cost of resources. But the problem is even deeper. It is embedded in the rationale of price mechanism and information. Markets cannot work without a price system that reflects the changes in society's productive capacities and demand. Market prices that are based on speculation are not only an destabilizing factor of global economy, they cause a situation where real economy is not based on producing necessities and luxuries but on speculation. (See Soros 1998.)

Speculation and financial market transactions can be hampered with a comprehensive financial transaction tax, as proposed by Tobin already in 1970s, and by the Attac movement since 1998. The higher the tax on anything else but long-term investments, the stronger will the effect be. Tax would have two consequences. First would be a focus of the financial markets on the real economy, and the sustainable (real economy related) financial activities. This shift in focus of financial markets is important given the current rates of speculation, by some estimation over 90 % (Airaksinen 2003, 48). Second would be the amounts of money raised in this manner. This money could have at least two possible targets. It could be used as an additional measure in solving debt crisis in Europe but all over the world. It could also be used to finance global social security. Another source of funding is hidden in tax havens. (Patomäki 2012a, 191, 201-3; also Shaxon 2011.)

Second aspect of reforming (or rather, constructing) global economic governance is about restoration of global aggregate demand. Restoration of demand incorporates financial markets reform. It can also include labor market reforms (as seems to be happening within the transatlantic area, see chapter 5). Additional measures should target the imbalances in global consumption. In the Western counties, consumption has been based on debt. The rich parts of the world consume more

than they produce. The poor countries, on the contrary, produce more than they consume. Their production is transferred to the rich areas for consumption, and paid for with borrowing from the financial sector. Hence, global capitalist elites are both reaping the profits of low production costs in the Global South, and the profits of excessive (and unproductive) consumption in the Global North. (Airaksinen 2003, 39, 44; Chossudovsky 2003, 88, 103, 111; Stiglitz 2010, xviii, 189.)

As an intermediate in this equation, global capitalism serves no one but itself. This situation must be changed. From the perspective taken in this chapter, this situation must be changed because it is now going too far. Real economy cannot much longer sustain this situation, and after all, global capitalism rests on the shoulders of real economy, the impoverished masses of producers and consumers. Without reforms, social stability is threatened. In the worst scenario popular unrest can threaten the power structures of neoliberal civilization (see Patomäki 2012a, 195).<sup>52</sup>

Restoration of at least relative global balances would necessitate direct transfers from the wealthy countries to the social security network and social infrastructure of the poorest countries. As it is, some regions in the world, most notably Sub-Saharan Africa, are extremely vulnerable to international food prices. Moreover, structural adjustments and uncontrolled trade liberalizations have destroyed and checked abilities in these areas to build social infrastructure – a prerequisite for creating material improvements. Financial transactions tax, perhaps combined with a levy on the highest income classes would provide the financial means of these actions. (Stiglitz 2004, 108, 317; 2010, 192; Patomäki 2012a, 199.)

Global market reform that would increase the flexibility and competitiveness of the wealthy areas, if combined with global social security measures implemented together with financial markets reform (speculation, taxes, and tax havens) would be strong measures to increase global demand. It would imply the lowering of living standards of the wealthier areas closer to the poor areas, but in a long-term, if investment is made on the development of these poor areas, situation would probably change for the improvement of both the rich and poor areas. Global institutions are needed for implementation of them.

A better and more effective measure would be a global trade union, perhaps powered by International Labor Organization (ILO). Global Trade Union would pose the demand of higher wages in the South while only moderately allowing for adjustments in the North. Global Trade Union might effectively counterbalance the power of capital interests in global market place, and

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<sup>52</sup> Within the discursive system of neoliberal civilization, demands for national sovereignty and independence are categorized as nationalist, populist, authoritarian as opposed to internationalist, responsible, and pluralist.

pose demands of flexibility on the profit and bonus side of companies. The huge income gaps that exists even the rich areas, and increasingly so after 1970s indicate that this is fully possible (because of tax havens, there is no accurate data of the true scale of incomes inequality). Global Trade Union could also demand for use of profits on the improvement of social and material infrastructure instead of transfer of the products (and profits) from South to the North. This option, as it would threaten the power structures of neoliberal civilization is, however, not viable.

Finally, environmental issues could be tackled by a global institution. Only a global institution can effectively put an end to the prevailing prisoner's dilemma in global environmental issues. Global alternative, other things equal, is the only viable option, because it is always more profitable for individual agents not to cooperate (if others do). Like in questions of aggregate demand and financial market reforms, there is a need for global comprehensive perspective in environmental issues (Stiglitz 2004; 2010; Patomäki 2012a). Moreover, with the current oil and nuclear based energy system, development in South will accelerate climate change. Global solution implies a firm decision, enforced by a global authority with corresponding means of enforcement, to invest on research and development of alternative sources for energy. In the medium term, decisions should be made to fundamentally change the transportation system of global economy. Global system of production and distribution relies on a global transportation system.

From environmental perspective (and from Smithian) economic areas should be based more on internal diversification within regions. International trade should not include trade in all commodities and agricultural products. It should comprise of those special products that each area has a clear advantage in producing or a resource that other areas don't have. Environmental problems demand a restructuring of global economy where local diversification and production for local consumption of most of commodities and resources are set as priorities. This can be done with a strong international organization. It can also be done by banning global trade and shutting down international financial system. This can be done unilaterally by most countries (given the advances in agriculture). It can also be done from within the neoliberal civilization, although, as principle, local sovereignty (or a resemblance of it) is strongly opposed to the system of global domination that neoliberal civilization seems to be.

Without global economic restructuring, the possible measures to combat climate change and environmental issues include the imposition of standards for environmental protection, investment on renewable energy, cutting down on consumerism, encouraging alternative – less consumption based, forms of development in South, and reorganizing of communal transportation systems so as



to replace private cars.

In conclusion, all these solutions require construction of a global authority. Whether it is founded upon the existing framework of IMF, World Bank and WTO, or whether a new institution is erected, is not fully irrelevant. According to Stiglitz, the problem in present global governance has been the prevalence of economic and business interests in decision making bodies. In many neoliberal policy planning groups, these problems have been acknowledged. Financial market problems, deregulation of the 1970s, failures of austerity policies and structural adjustment in East Asia and Africa, environmental problems, and diminishing aggregate demands are part of the common concern of peoples of the world. Globalization, brought about by international capitalism and deepened with neoliberalization is today continuing with transformations towards more integration. Only those solutions which do not fundamentally question the power structures of neoliberal civilization are hailed as progressive, democratic and responsible solutions.

Different alternatives, whether reforming the existing global institutions, whether building entirely new structures, whether coming from critiques of neoliberalism, or whether from within neoliberal policy planning groups, aim at moving from corporate run and multilateral governance towards a supranational form of governance. Many or most of the problems of common concern require supranational decisions – decisions that override national policies and that can be made with a comprehensive view on the totality of the globe. A good example might be the European Commission (EC). EC is not composed of representatives of national governments. Members of the EC represent the European perspective, the comprehensive perspective towards EU. In reality, EC is an integral part of neoliberal civilization, and the European perspective would rather equal a corporate perspective.

The concept ‘democratic deficit’ has been around for some while. If it can be applied on EU, the more relevant it is in the context of global (economic) governance. Patomäki (2012) and Stiglitz (2004), for example, demand a global authority, but they also demand some form of global democracy. Global democracy as a means to balance the power of financial and economic interest is desirable, but without a firm democratic (participatory) basis, I don’t see how it could be anything but a new arena of legitimizing global governance and heralding the birth of a global state of capitalism and domination.

### **6.3.3. Global Democratic Elitism**

A stable system of governance can be founded with different means. One is force. Another is ideas

and illusions. Stability of a system and government by force is the least stable combination of the two. The oppressed masses feel the oppression, know their oppressors. Power and agents that deprive them their liberties is visible. System of this kind lives on the verge of collapse. Its continuance is not cost-effective, but laborious to keep up. It must be based on strong police force, and effective control mechanisms. It is hardly sustainable. Even this kind of system can prove itself long-lived, if some measures are taken to divide the suppressed masses, like Cesar's maxim *divide et impera* suggests.

Governance by force becomes unsustainable if all are equally oppressed. In this case, people are united with a common enemy without middlemen. A relatively insignificant spark, if it awakens all of them at the same time, will cause an overthrow of the dominant forces. In any system of governance, which is not based on individuals fully in possession and control of their lives, i.e., the means of subsistence, the freedom to employ them, there must be a division into classes, which divide the focus of most people to their immediate suppressors.

If this class division is combined with a substitution of force with ideas and illusions, system of governance becomes strong. It becomes stronger than Kim Jong-Il and his son never could dream of. I find that neoliberal civilization is based on various deluded ideas, emanating from the discursive practices of the global system of minority control of the subsistence of majorities. One of these illusions is freedom. Another is democracy. Freedom in neoliberal civilization implies freedom to live as a consumer and a worker according to the discursive categorizations of neoliberal civilization. Democracy entails an idea of togetherness, of participation, and of those things that may be conceptualized along the meaning of 'civil': of or belonging to citizens, becoming or fitting a citizen; well-ordered, orderly, well-governed; educated; well bred; refined and polished; not gay or showy; sober, decent, grave; polite or courteous in behavior to others (Collingwood 2009, 26, 27).

Democracy, liberties, civil society and civilization are all concepts that constitute an essential body of neoliberal civilization. In terms of power, and in terms of individual control of the means of subsistence, all these concepts are illusions. That is, in terms of power to control the economic resources, the means of subsistence. Dahl (2006), for example, claims that democracy is contingent upon at least some level of equality, because economic power increases the potential of political power. From the Swedenborgian and Smithian perspectives, equality is not necessary. What is necessary is the ability to control the means of subsistence by one-self or in cooperation with others (public control). In terms of public control, it can be based on participatory democracy and

leadership democracy. It appears to me that the Schumpeterian notion of competitive democracy is conditional upon diffusion of the control of resources. If most resources are under a minority control, no effective competition is possible – unless the majorities are united and by their sheer numbers balance the economic power of the minorities. There can be no competition between the representatives of minimum wage workers with no social security and corporate elites, because of dependency of both the representatives and workers to the corporations. Competition is asymmetry is a losing battle. It leads to a situation which might be called hunger equilibrium.

Barbara Ehrenreich (2001), an American journalist, studied the conditions of the 'working poor' in the US. In this leading democracy of the world, 'working poor' live on low wages entirely occupied with their subsistence and the small pleasures they can buy from Wall Mart. They neither have time nor information to become active citizens. Nominally, they are citizens, but their condition is more like the pitiful condition of factory workers, lamented and criticized by both Marx (2010, 313) and Smith (2005, V.i.iii.ii, 637-8). (See also Higley 2010, 227.)

But they are powerful illusions. Democracy, liberties, and civil society have the almost miraculous ability of legitimizing the hierarchical system of global governance, and as if this in itself would not be miraculous enough, they also contribute to demands for more similar kind of democracy, liberties and civil society – more in the sense of expansion to global level. If togetherness and sense of participation are positive on local level, on global level they are even more desirable. The paradox of these illusions can be put in mathematical form. If we express democracy with the formulation  $1/V$ , which stand for one vote of total votes ratio ( $V$ ) in a community, then, the highest level of democracy – the object of desire, is achieved with  $V=1$ . This gives the following:  $1/V=1$ .

But this is no democracy. This is independence. Setting  $V$  as 1 entails that each individual has maximum liberty over his actions (within given legal frameworks). In a community consisting of hundred adults ( $V=100$ ), this value that might be called 'democratic index' (DI) would be 0.01. In a community of one thousand ( $V=1000$ ), DI would be 0.001. In a society of one million adults, DI would be 0.000001.

High DI would suggest individual control of resources. In global economy, this is possible only for minorities. In a community of 100 persons ( $V=100$ ), with 10 companies owned by 10 different persons, who would control all the available resources, DI would for the majority would be lower than 0.01. Let us assume that minority would be in control of all material resources, and the majorities would be fully dependent for their subsistence on the minority. Moreover, let us assume that following decision would have been made. Working time would be 8 hours per day five days a

week. Some jobs would be less, some jobs would pay more. Directorship of companies would pay most. Minority share of incomes would be 50 percent, and the rest would divide the other half of production. Moreover, let us assume each person would sleep approximately 8 hours.

With private property abolished for the majorities, their DI would be only half of the highest value (0.5DI). The division of DI is based on Lockean framework of property: earth is given to everyone for subsistence. Each person has an equal right to use resources. Hence, time and resources constitute the things that individuals decide over (in material sense). If some resources are controlled by others, their DI will consist of only time. If 8 hours is destined for work, 8 for sleep, 3 for maintenance, it leaves 5 hours free.  $8 + 5$  hours is the total number of hours to be used. Democracy would only apply for 5 of those, that is,  $5/13$  (0.38). In consequence, DI would level at  $0.38 * 0.5DI = 0.2DI$ . If each person would decide for themselves the use of their spare time, they would be exercising full control of only 0.2 of their time and resources. In a community of 100, DI would be  $0.2 * 0.01 = 0.002$ .

It is of no little consequence who controls the resources and decides the different types of work available for men. In a global capitalist system, control of resources is centralized, and the use of time in working life is based on capitalist classifications. In the above sense, democracy appears as an illusion even as it is. When we speak about global democracy, we should be clear with what we mean with democracy. We should accept that globalization inevitably means interdependence as power subjects of global markets. By accepting that, we won't perhaps demand too much of participatory democracy, but can contend ourselves with only moderate level of influence on the direction of decisions, and contribute to the birth of a civil culture defined by fine ideas and happy thoughts. Similar kinds of considerations have been presented by Robert Dahl (see Koenig-Archibugi 2011, 520-1).

Global democracy in the sense that it would liberate men from the interdependences as power subjects does not seem befitting the goals of a stable system of neoliberal civilization. To be effective illusions must have some relation to reality. Free speech, availability of a number of books from the whole time span of human history, right to vote, availability of different sources of information, and the doctrine of free markets have some resemblance to truth. Within the predominant discursive systems, these features of liberal democracies can generate a sense of well-being, especially when combined to the global structures of expropriating the South. Within the predominant discursive systems, and given the global division of peoples as the principle *divide et impera* would suggest, these illusions have served their purpose for the poor producers, and for the

more well-off consumers and service sector workers of the North.

But global imbalances and environmental problems are today too pressing for us to continue business as usual. Old illusions do not suffice any more. Democratic participation has been declining all over the Western countries. Sometimes it has been interpreted as a sign of well-being. Based on the interpretation of neoliberal civilization that I have assumed here, it should rather be interpreted as disinterest, grounded on the notion of individual liberty. What we know best, and what most interests us, are those things that we live with. Everyone is the expert of their own lives. Having lengthy debates of how much taxes, what kind of taxes, writing about taxes, planning communal transportation system, and all other matters of political governance become interesting when you have to pay taxes, and when you feel distressed by transportation problems. But many of us do not have the interest or time to be well informed about and engaged in all of these issues. The possibility of one individual to change any of them is insignificant, which does not encourage active participation.

Global problems need solutions, and yet, we can hardly expect a radical change in attitudes towards other issues than those pertaining to each individual's own and personal 'expertise'. On global level, the possibility to affect any single issue becomes even more difficult, and appears as a highly discouraging feature of democratic institutions. Combine this with the hegemonic discourses of our time, and you feel that democracy and globalization belong to different worlds.

Yet, global problems must be solved, the strain of economy must be contained to a stable system, and dominant interests of neoliberal civilization must retain their position. What is the way forward? Global democracy in any participatory sense appears as an illusion too far from the reality. Global democracy could be a cause of high expectations, lead to disenchantment and loss of legitimacy. At the same time, democracy is a useful illusion, the more so, if it can be expressed and articulated in minimalistic and depoliticized sense – if it were to be combined with elitism and economistic technocracy that seem to characterize 'disciplinary neoliberalism' or neoliberal civilization.

Global democratic elitism might account for the need of stability and serve the interests of neoliberal civilization. What Gill (2011) described as new constitutionalism can within global governance become the principle of the rule of law, nominal transparency and illusory link between governance and the subjects of global market place. Global democratic elitism would combine the best aspects of the idealism, optimism, and legitimacy that belong to the word democracy. Elitism would account for a transfer of power from the last potential strongholds of democracy (municipal

and national parliaments) to the global level, and legitimize global authority for the neoliberal civilization. It could incorporate or constitute a participatory forum for the active and enthusiastic minority, NGOs, and harness social media and internet for the service of the system.

Platform for global democracy could be built upon the foundations of e-democracy as limited but open e-forums for limited scope of issues, participation of NGOs, and an erection of a global parliament. Together with e-democracy and NGO participation, parliament could provide an arena for the active and interested minority, an outlet for feelings for democracy. It would stabilize and legitimize the system of global governance. It could be useful for economic governance by increasing the visibility of social actors on the side of corporate interests. It could make the voice of the South heard more often. And it would share the responsibility of coming austerity, and firmly establish political authority beyond the reach of national democracies.

Global governance along these lines would require the interest and enchantment of academics in favor a global system. A supranational system, founded upon the corporate community can hardly be sustainable. It would contradict the current constitutions of most countries. A global parliament, on the contrary, with a nominal role in decision making procedures, could be built on the side of the existing framework of national democracies. Global parliament and global government, if assigned with duties of global reach, would not abolish national democracies, but would define the role of national boundaries more firmly as second to the authority of global markets and the global government. The seeds already exist (e.g. Patomäki 2003; 2012)<sup>53</sup>. In Frederick Engelstad's (2010, 70) *Democratic Elitism: Conflict and Consensus* we read the following:

The notion of "elite consensus" often carries connotations of elite manipulation, political machines, and backroom politics, but obviously this is not what is meant. Consensually united elites do not usually display consensus on specific issues; rather, their consensus is about rules of the democratic game. The question, then, is how to conceptualize the combination of elite conflicts over specific issues and elite consensus about basic game rules.

The tradition of considering elites as part of a healthy political culture of a democratic country was professed in some form already by Weber (e.g. 2008, 292). Schumpeterian notion of democracy also combines competitive elites with the idea of democracy, and among elite researchers a (for these ideas) favorable discussion is on-going (see Higley & Pakulski 2007; Engelstad 2010). Elite competition will keep each elite in check, and no single elite will have the possibility of developing

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<sup>53</sup> Patomäki does not use global democracy in this sense. I have included Patomäki's global democracy as an example of the discursive hegemony of neoliberal civilization which may be able to take control of and assimilate even potentially progressive ideas to the service of its own interests.

into a tyranny. Same logic is strong in the idea of competitive markets. Markets and democracy belong together and without free markets, the forces of free civilization are repressed (Friedman 1979; Hayek 1956; 2006). Higley's (2010), interpretation about the relation between liberty and democracy seems to resemble Hayek's theory of liberty – liberty is about freedom from coercion, it does not require the participation in all decisions, still less, share in all profits. It requires the existence of competition between the leadership, whether enterprises, or political parties, or, in the most favorable case, between them all.

Global democratic elitism seems as a useful and even necessary element of future discursive transformations within the neoliberal civilization. My tone in this chapter has been negative, but there are positive aspects to global democratic elitism. Neoliberal IPE today seems functionally based on the corporate community. Hence, global perspective is limited. Even if we consider neoliberal IPE as desirable, MNCs as generally well-fare generating organizations, and most of all, if we do not want to question the subordination of most of people to minority control of resources, there is no questioning of the need of some level of accountability of global decisions to the general public, and some level of other than corporate interests on the global arena. Accountability is needed for a global perspective. Corporations are relatively bound by their profit interest. Corporate leadership often have only very little contact with the life of their workers in poor countries. Those areas and peoples which are affected by corporate decisions may appear as invisible and voiceless, and decisions, often unintentionally, may cause dismal for thousands. These problems may contribute to negative externalities, which serve the interest of nobody. Hence, global democratic elitism, even if confined to minimal democratic and participatory boundaries, and even if operating within the neoliberal civilization, may provide for useful insights and direct global governance towards a more stable and sustainable system.

Moreover, despite the narrow scope of democratic influence in neoliberal civilization, global democratic elitism could provide for a favorable and positive culture. A shared commitment to the system and to the future of the globe as a civilization might generate a civil culture. I find it too optimistic and illusionary to speak about civil society, but civil culture seems possible (and it can incorporate representation of civil society as a form of pluralist participation within the boundaries of what is acceptable). Embedded in the discursive system of neoliberal civilization, civil culture would contribute to the sense of commitment, propriety, belonging, togetherness and all those fine words that civil stands for. Integrated into the neoliberal civilizational discourse, which still seems to be dominated by the ideas of freedom, self-interest, and profit, civil culture could be a cause of

an internal cultural-ideological transformation. The words and ideas that we use have an effect on our discursive reality. Words and ideas affect our impressions and interpretations of social phenomenon. Civil culture and global democratic institutions, even if only apparent in terms of control of resources, could provide for a sense of global community. (See Patomäki 2012b.)

I suspect that the strain of global imbalances, debt, and environment will aggravate the economic problems even in the rich areas (and hopefully, after imposing financial regulations, without causing more distress in the South). The possibility of growing resentment towards and disapproval of the system seems strong. A birth of a civil culture, hence, is important as a means of generating cohesion, trust, and commitment. Even neoliberal IPE can be expressed in terms of what is civil. Then, one should focus on lack of governance and lack of transparency instead of the system itself. One should also focus on cases of particularly strong mismanagement or disregard of social virtues by corporations. Politics and governance should be represented as spheres of virtue and civility. With a strong civil culture, neoliberal civilization just might attain some resemblance of a civilization. The intolerant attitudes towards Iran and some Latin American countries should rather be made soft and tolerant. With a civil culture as part of the discursive system of neoliberal civilization, civility might become a part of habits and practices, which works in favor of everyone. Civil culture would not create the social interdependences of the Smithian principles. But it could generate trust and cohesion of the kind that Fukuyama wrote about in his *Trust, the Social Virtues and Creation of Prosperity* (1995).

Within neoliberal civilization, global democratic elitism and the civil culture might provide global economic governance with a broader vision, legitimacy and stability that would benefit all. Benefits would be general in the sense of governability, and in terms of propriety. Less totalitarian control mechanism would be needed. Sense of commitment and togetherness within and under the Global Empire would spill over to practices, and domination would possibly show its agreeable countenance more often than it would without these institutions of trust.



## 7. CONCLUSION

### 7.1. Results

The research task in this master's thesis was to provide a definition and evaluation of neoliberal civilization, and based on these findings provide an interpretation of the future trends of the system. The major body of this research is concentrated firstly, on developing tools of evaluation, and secondly, on providing an analytical framework for describing and defining the system. Chapters 2 and 3 dealt with the first task, chapters 4 and 5 with the second. In chapter 6, I was able to provide a definition, evaluation, and based on the results of this work provide an interpretation of the future trends of neoliberal civilization. I will now go through these findings.

Neoliberal civilization is a discursive system of neoliberal IPE. As a discursive system, it is based on the socio-economic structures of domination in the global system of economic governance. These structures are already highly institutionalized. The institutional framework is founded upon a monetary system of debt as in financial robbery. The origins of this system, I suspect, are in the Federal Reserve System of the US<sup>54</sup>. Since the 1970s, the financial framework of the neoliberal IPE, with different monetary basis in different areas, has become unified as a global financial system, deregulated, debt-based, and inflationary. The institutional framework of neoliberal civilization also relies on the global market place for not only capital flows, but within the General Agreement on Tariffs and Trade (GATT), and within the regional economic cooperation organizations. At the present day, only the movement of labor and the trade on services (GATS) are excluded from the institutional framework of global markets.

Neoliberal civilization, in spite of its representation as civilizing, free and progressive, is intolerant towards democracy, individual and local sovereignty, and organized cooperation between peoples, workers, and the excluded majorities. Karl Polanyi's (2002 [1944], 260, 285) claims that popular democracy poses a threat to capitalism, and that capitalism has a tendency towards fascism, are confirmed in this study. I have come to this conclusion with a threefold proceeding.

Firstly, in the introduction to this research, I reformulated the state-centered definition of IPE in

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<sup>54</sup> This would seem to be the case: already in 1917, the highest average incomes (of the top 0.01 % of the US population) were 500 times bigger than the average of the bottom 90 % of US population. Creation of Federal System is likely to have strengthened the might of financial interests against other economic elites and in relation to politics. Federal Reserve is the first step towards a world economy where financial (and corporate) interests dominate over public interests. For a short analysis of the relation between democracy and control of power sources, see Dahl's *On Political Equality?* (2006).

order for it to better account for use of power. This formulation of IPE was based on ideas, structures, and actors which (i) define the rules, (ii) set out the institutional framework, and (iii) control the resources for individual and collective economic activity. Despite the nominally intergovernmental governance of IPE, my approach affirmed the findings by for example Robinson and Harris (2000) and William Carroll (2010), who claim that corporate interest play a key role in IPE. I found that neoliberal theory of supremacy of the market place, competition, and private ownership (read MNCs) should define IPE. I found that the actors that provide the input for multilateral governance in IPE are based on the input generating machinery of elite policy planning groups (e.g. International Chamber of Commerce, World Economic Forum, Bilderberger Conference, Trilateral Commission), and institutionalized corporate lobby groups (e.g. European Roundtable for Industrialists, Transatlantic Business Dialogue). Moreover, the control of economic resources is increasingly controlled by Multinational Corporations (MNCs) and the money by financial institutions in the form of debt. In economic activity, individuality, liberty, and democracy are done away with as Marx and Engels (2006 [1848]) claimed almost two centuries ago. This analysis was done in chapter 5.

Secondly, in chapter 4 I developed the analytical conceptualization of civilizational discourse. It is based on Foucauldian 'archeology of knowledge', interpreted and applied to political analysis by Michael J. Shapiro in his *Language and Political Understanding. The Politics of Discursive Practices* (1981). By setting neoliberal IPE in the framework of a civilizational discourse, I was able to come up with the formulation of neoliberal civilization. Stephen Gill (1995) has used a similar kind of formulation – market civilization, but with less theoretical work in setting up the analytical framework.

Conceptualization of neoliberal civilization was based on four areas. The interior domain of neoliberal civilizational discourse is comprised of knowledge, standards, and objectifications which construct, define, and transform social relations by assigning duties and responsibilities for subjects of each category. As consumers, we are subjects to the global market place. As workers, we are more often than not subjects to MNCs. As tax payers and borrowers, we are subjects to financial robbery. Neoliberal civilization defines the social function of working life, public policies, and what is considered as socially useful. It creates the culture of consumerism, the duty and necessity to consume (e.g. Sklair 2002). The enforcement of these categorizations relies on the structures and actors of neoliberal IPE. Thirdly, social transformation and generation of change relies on these interior and exterior domains of the neoliberal civilizational discursive system – neoliberal

civilization. But it is civilizing only from a narrow perspective of the dominant interest of the system: financial giants and MNCs at the center. Fourthly, an expansion of the power of these interests is the trend in IPE and within neoliberal civilization. Expansionism seems to be a common feature in civilizational discursive systems. The first and third sections of chapter 6 dealt with this analysis.

Thirdly, I made the conclusion that neoliberal civilization is based on an innate intolerance towards democracy, individuality and local sovereignty, organized cooperation between peoples and workers, and that it is inimical to the welfare of majorities, with tools of normative theory. In chapter 2, I used Emanuel Swedenborg's cognitive system in order to derive and develop principles for political theory. In chapter 3, I engaged in reviewing Adam Smith's moral philosophy and political economy in the classical conceptual context. In the Swedenborgian perspective, I made the conclusion that neoliberal epistemology is based on inconsistency with the laws of nature and evolution, and that the resulting conception of individual liberty is based on a paradox. Neoliberal conception of freedom will tend to unbound human action and human self-interest from all social bonds. Neoliberal freedom sets up a system of social organization, where lusts to rule and possess are given free strains, hailed as progressive, and where the results of these evil desires are labeled as externalities and costs of economic action. From the Swedenborgian perspective, the capacity of free will is a means to an end: a useful life, where individual prosperity and welfare serve as the means of being useful in the benefit of the present and future generations.

The Swedenborgian and Smithian perspectives have in common a distrust on the self-interest, lusts for ruling and possessions. Both perspectives share the conviction that in social life, self-interest can be useful under certain conditions. Smithian perspective is about these conditions. Self-interest provides a ground for morality and civil life if it is bound by a sense of propriety. Propriety and morals are based on the need of humans to be loved and esteemed by their fellows, on the ability to love and esteem others (even if for the sake of being loved in return), and the need of most people to feel belonging to something, and part of something – the innate civility of a sociable man. The condition of good morals and usefulness of self-interest relies on emotional interdependence.

As for the Smithian political economy, it must be understood in light of his moral theory. The two others principles of the Smithian perspective – the System of Natural Liberty, are based on the control of economic resources for the active employment by their owner in emotional interdependence with the community. Ownership of foreign plants, employment of CEOs to direct foreign plants and financial market speculators have unchained economic agents from the

interdependences of a community – and destroyed the foundation of morals. The almost sacred principle of private property is also violated. Instead of a means of individual liberty and an incentive to dexterity, private property has become a means for a few to control the multitudes; it has become a means to profit through speculation on the subsistence of the majorities; in especially the Third World, it has become a means of expropriation; and finally, it has become a means of protecting dominant economic (and indirectly political) interests with the pretexts of free markets.

From (i) these considerations regarding the nature and qualities of neoliberal civilization, and (ii) considering the unsustainable strain of debt and financial markets on global economy, the environmental problems, and the democratic deficit of global (economic) governance, I was able to make some suggestions on the future trends of neoliberal civilization. Firstly, the formation of future transformations takes place within the boundaries of what is useful and acceptable from the perspective of the dominant interests of neoliberal civilization. This includes financial and economic interests, but does not necessarily imply the existence of a transnational capitalist elite.

The existence of transnational elites seems probable, but not in the strict sense of the word elite. Rather, as consumers and workers, we are all part of a system, on the one hand, subjected to it, and on the other, keeping it up and reproducing it. I have only been able to point at the dominant interests in a general manner. Major financial and corporative interests seem to be at the center. National financial and corporative interests are drawn into the hierarchical system of *divide et impera* through various corporate interests groups (institutional actors), and through the well-connected and merged financial system. Particular companies and financial actors may very well be exposed to the financial power and economic supremacy of the central actors, but there is hardly any possibility of breaking free from the global markets without changing the institutional framework of markets (including financial and commodity markets). For this reason, I suspect, mergers and acquisitions have characterized the internal relations of the 'upper class' of neoliberal civilization (e.g. Airaksinen 2003; Chossudovsky 2010).

It seems that the power within the 'upper class' is centralizing. This process is part of a general fight against democracy. It consists of increasing the amount of public and external debt, and use these in order to deprive the general public the means of controlling economic resources, and the means of providing some level of independence from the market actors through social welfare policies. Debt crisis has served this purpose in Africa, East Asia, Eastern Europe, and Latin America. It is an on-going process in Europe. Greece, Portugal, and Spain, have already experienced what the poorer regions of the world went through after the 1980s, then led by IMF, now under the direction of the

European Commission, European Central Bank, and IMF (see T/ESM 2012/en 28-9; T/SCG/en 11-4). I find that the financial system and the recurrent economic crisis is a battle for global domination and fight against democracy, public power, and individual liberties.

The future of our earth is defined by these factors. Economic crisis, global imbalances, democratic deficit, and environmental problems are being represented as lack of global governance. Solutions will be taken on the global level. We are moving towards a global governance, which is likely to include the erection of centralized supranational institutions and possibly a global monetary system. In the discursive system of neoliberal civilization, these reforms are being marketed as reforms to tackle our common concerns. It is likely that the idea of a global democracy will be used to legitimize such a shift towards a Global Empire. In my interpretation, this can only mean an attempt to override national governments. I find that national and municipal democracy is the greatest threat to this process. For this reason, demands for independence, popular sovereignty, and localization are categorized as inherently anti-democratic, anti-international, and xenophobic aspirations. At the same time, there is no escaping the unhappy reality: aspirations of popular sovereignty often seem to arise from amongst racist nationalists. It may be an effect of ignorance as to the reasons behind the dismal of civilization.

Parallel with neoliberal civilization, the military and political wing of Western civilization, US, North Atlantic Alliance (NATO), and the Western liberal democracies act as the police force of democracy in the protection of liberties, while in reality, they merely serve the dominant interests of neoliberal civilization. The military supremacy of Western powers combined with neoliberal IPE poses a threat to world's peace in case of non-compliance by for example Russia, China, Iran, and the Latin American block of ALBA. Based on this research, I am not able to provide analysis of international relations. Research on financial and corporate networks between China, Russia and the financial and corporate structures of neoliberal civilization is in order.

Questions of importance are, how well China's and Russia's financial and corporate structures are connected to same structures of neoliberal civilization, how much control the Chinese and Russian governments retain over these structures, and how prone to conflict is the governmental control to the dominant interests of neoliberal civilization. Moreover, in terms of Global Empire, how well are the Chinese and Russian elites integrated into the neoliberal system. In Carroll's (2010) research, Chinese and Russian presence in the policy agency groups and corporate leadership was seen of minor relevance. Is this an indication of political power that is separate from the economic power in these countries? If so, how do the political elites of these countries relate to the dominance of

neoliberal civilization, and its aspirations of becoming a global civilization?

In conclusion, neoliberal civilization appears to be part of a process towards a global system, where democracy and liberties are done away with through a minority control of economic resources and money. I have studied this process as in neoliberal civilization. This research suggests a need to incorporate an analysis of international politics. A combined definition, evaluation, and analysis of trends of what might be called a discursive system of Free Civilization are order. I will conclude this research with final considerations, this time from the perspective of democracy and liberties, i.e., from the perspective of majorities.

## **7.2. Final Considerations**

This research was an attempt to understand a complex and comprehensive phenomenon. It was motivated by the existence of millions, who go hungry every day – approximately one in eight of our brothers and sisters. Yet, there is no lack of food. There is lack of money. There is no lack of hands to cultivate the earth for the improvement of the lives of humans and other species. There is lack of employers. This goes back to the issue of control of resources. Its importance cannot be emphasized too much.

The earth, our common inheritance, brings out from its bosom all the necessities of life for the whole human kind, or could do so. At the present stage of history, minorities' avarice and love of ruling have denied the majorities the gifts that nature otherwise so eagerly would bestow them. I suspect that the future generations will remember this era as the Dark Ages of Dominance, instead of the Age of Freedom and Democracy implied in the civilizational discourses of both neoliberal civilization and the military wing of globalization.

It is our responsibility to bring about the necessary changes. By disregarding the atrocities done in the name of civilization, we make ourselves guilty of the crime. Minorities can never rule without the consent of considerable portions of the majorities, even if given in silence and with the pretext of ignorance, lack of time, and lack of means.

This research was motivated by a desire to understand why there is so much misery on the Green Planet. In defining and evaluating neoliberal civilization, I was able to provide reasons for this. Next task is to think about how to end this misery. Within the limits of this research, it will suffice with some general considerations.

Based on the Swedenborgian perspective, I find that the main problem in social sciences is the

inability to escape from the prevailing relativist trend in philosophy of science, which supports the dominance of neoliberal epistemology, the kind of epistemology that considers the will of an individual the highest authority in questions of good and evil. From the perspectives employed in this study, this notion does not hold. Good and evil are always contingent on something. In terms of morals, questions of good and evil are contingent at least upon the approbation of the community. Communitarian values and the existence of communities, where these values can flourish and be the leading stars of morals as if reflecting some form of universal truths, seem to have been abolished since the creation of global markets.

From the Swedenborgian perspective, analysis of good and evil not merely reflects the shared sentiments of propriety *in* a community, but are directly derived from a universal cognitive systematization. This systematization respects individual liberty and choices by individuals – freedom is considered almost a sacred means, but it does not allow all kinds of choices, or all kinds of social arrangements. The general principle for human action can be expressed in two conditions: firstly, all individuals should have the proper means for their sustenance without being subjected to arbitrary power by corporations, and without being forced to labor for the benefit of speculators and lenders; secondly, all individuals should have the possibility of becoming the kind of individuals they want, including the possibility of living outside the consumerist society, and excluding the necessity in the poorer regions of the world and among the working poor in the core economic areas to work long hours in stationary, repetitive, and simple jobs.

To be able to think about changes, we need to be able to rethink the present. To be able to rethink the present, we need tools for doing that – and time. I find Thomas More's description of the Utopian Island useful as a means of imagining other realities. In *Anna Karenina* (2004 [1878]), Tolstoy's character Levin finds happiness and meaning of life in individuality and usefulness outside the hypocrisy of the upper social strata of the 19th century Russia. I am implying that it is not possible to understand present the discourses and ways of life without some system of reference. I have used the Swedenborgian and Smithian perspectives, but there are a variety of other choices, fully compatible with the demands for individuality, freedom, and perfection of life. At the present day, politically viable thinking is practiced in Latin America in the ALBA block. Islamic system in Iran may be another example. Marxists and the tradition of historical materialism have been engaged in this process since the very birth of the tradition. Oscar Wilde wrote in his *The Soul of Man under Socialism* (2001 [1891], 15) that private property has destroyed true individuality and let free a wrongful individuality. It deprives some people the possibility of being individuals by forcing

them into hunger.

Wilde's, Marx's, and Engel's concerns are the truer today. In the section Global Democratic Elitism, I was arguing that democracy is an illusion. Rethinking democracy from another than the perspective of the old bourgeoisie society, and today, from the perspective of neoliberal civilization, is of utmost importance. Moreover, it should not escape our attention that the Western democratic system, which has been able to grant *its* citizens the privileges of modern technology, has done it with the help of capitalism – the transfer of wealth from the colonies and later from the Third World to the North, i.e., by excluding *others* from its citizenship. If we believe John Hobson's (2004) findings, Western industrialization was made possible by granting freedom for the *Western* actors to expropriate and enslave (literally) millions of people. Recalling global injustices of the past and present, can we really claim that the Western liberal democracies have found the true formula for democracy?

From the Swedenborgian and Smithian perspectives, democracy cannot be separated from individual liberty. This implies that democracy and individual liberty entail three dimension – individual, local (or community), and global. As for the individual dimension - with an investment of about 100 000 euros in Finland, one can start a personal revolution, buy land, build a house, and become independent. Done in a group, costs would go down, the quality of life increase, and the time to be spent on the daily bread diminish. Only one or two generations ago a large number of Finnish people lived in this way. We don't need to live in cities and work for companies to belong to the world. Working for transnational companies does not have the miraculous effect of transforming workers to cosmopolitans. But by working for oneself or in community, and exchanging ones products, ideas or art not for the sake of shareholders, but personal motifs, then you might be able to speak about a cosmopolitan. Hence, an independent farmer, craftsman, or electric engineer in a small local community is more likely to be a cosmopolitan than a serf of the global markets. In Latin America, the process of unthinking and rethinking markets has led to the rejection of Free Trade Agreements in favor of Peoples Trade Treaty (ALBA-TCP 2012).

With the local dimension, I don't refer to local communities started by individuals who want (and have the money) to break free from the chains of global markets. I mean (i) local independence and (ii) local democracy. Same holds for municipalities as for individuals. Municipalities can free thousands of people from the chains of the neoliberal civilization if they control large areas of cultivated land and forests. By controlling resources, municipalities can start employment projects and initiate food sovereignty. The control of large areas of lands would enable the local areas to



grant all the willing a possibility of starting communities and getting their daily bread from the bosom of mother earth, like Jussi Koskela in Linna's novel *Under the Northern Star* (1959). Municipalities can start a municipal revolution by decreasing their subjection to global markets. The use of lands for cultivation would not cost anything, because the idea is based on using lands for sustaining populations and for providing work for those without. Municipal control and finances could lead to a revival of old villages with all the benefits of modern technology. In this scenario, there is always work for everyone, because wealth of nations relies on work. Moreover, there is no obligation to work long hours with little pay, because there would be no middle men and no profits (see Marx 2010). Municipal revolution of this kind would not change the global system. It would change the local system.

As for local democracy: control of resources by a municipal authority would imply a democratization of economy, at least portions of it. What is needed for the implementation of municipal revolution, is a victory in municipal elections. The idea of local economy is not bound to any specific ideology. It could find support from the right, middle and left. There is a multitude of ways of organizing a minor municipal revolution in the sense of letting over lands to be cultivated and letting over forests for houses to be built. To realize this, a loose coalition of different NGOs, persons, and even parties can be formed – only for this specific issue. If this idea would be realized, it would herald a simple verity of revolution: to be free, we don't need to change the planet, or transform the global system – if we manage to become independent from the global system, then the revolution for our freedom is done.<sup>55</sup>

Revolution on the global level requires that unions are formed. In the first stage, global unions could only concentrate on the rich areas. In order to become global, unions must have enough resources to support the poverty stricken areas of the world. Support can be done with direct investments on food sovereignty, or by relying on the food supply from the markets. In the second case, union should be strong and wealthy enough to be able to support large populations during strikes. This is the reason why I think global unions should first concentrate on the rich areas. The results of this research indicate that global unions should be focused on balancing the economic power of minorities in international political economy. This entails that global union should take the character of a Global Trade Union. By aspiring for higher wages with no wage cuts, socialization of profits, and amortization of interest on debt and the most of the current public debt, and moreover, by seeking parliamentary power in municipal and national parliaments, and in the European

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<sup>55</sup> I find it highly recommendable to study and cooperate with the ALBA block for developing ideas and practices for a free civilization (see ALBA-TCP 2013). For example Stephen Gill (2012) has expressed similar views.

Parliament, this movement would become a force that balances the power of money in the global system, and which ultimately could change it. For this idea to work, the majorities should be united behind some key principles, for example, high wages for everyone, and social security for the poorest regions of the world.

A global movement does not need to be a movement with one ideology, one theory, and one vision. It only needs to balance the power of money, and facilitate relative independence of the poorest regions of the world in their relations to MNCs. Like Gill (2012) suggest, it can include parties, NGOs, and peoples with very different ideologies and visions. But one vision must be shared: the hampering of economic power of the minorities. And one means for doing that must be recognized: union. If you think the rather minor changes on individual and local level are unthinkable, even though no changes of the global power structures would be needed, only a change in how individuals and local areas *relate to* the global system, then, I assume, you should not even consider changing the global structures.

On these grounds I think it is possible to build a revolutionary theory and a revolutionary movement, which combine individual liberty, democracy, and Marxist critique of expropriation. Liberalism in the classical sense, especially in the form of the Smithian perspective, has the ability of uniting the best parts of liberal tradition with those of the Marxist tradition, and thus, provide a framework for a movement that incorporates demands for equality and liberty, unites socialists with the liberals, and the oppressed majorities against the ruling minorities.

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## ANNEX

FIGURE 4: US Top 10 % Income Share.



FIGURE 5: Spain Average Incomes.

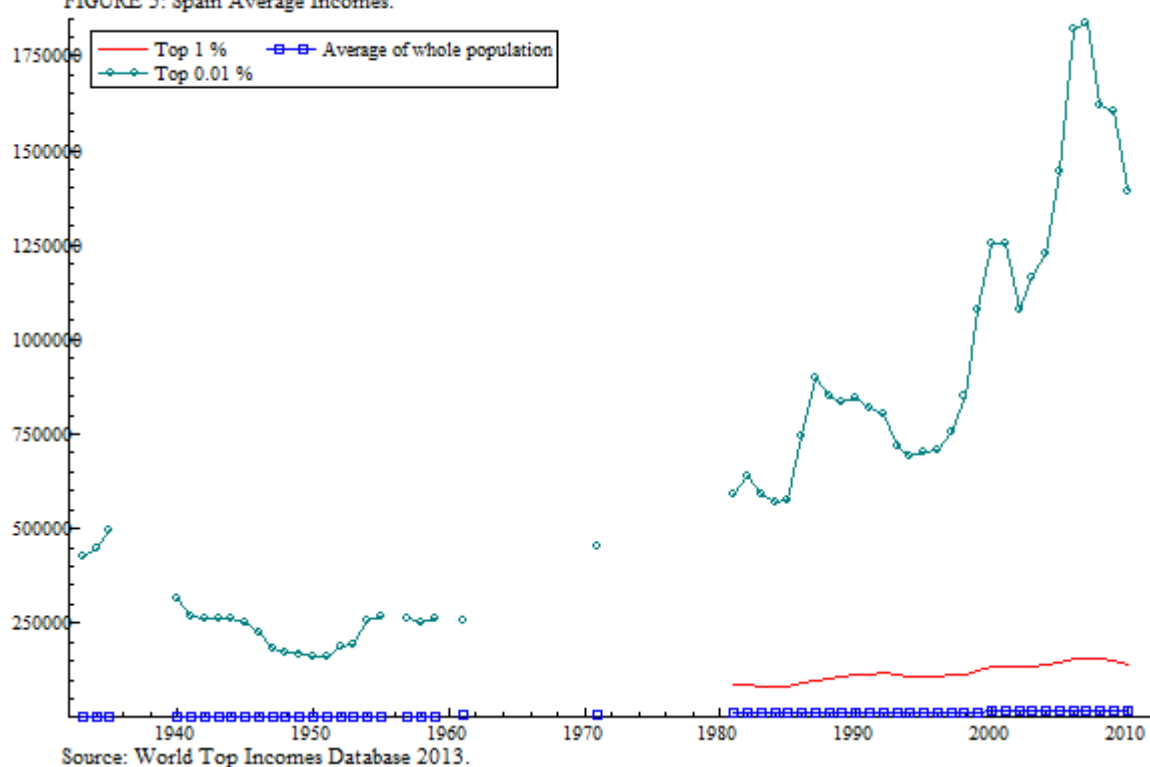




FIGURE 7: US Price Index (2011=1).

